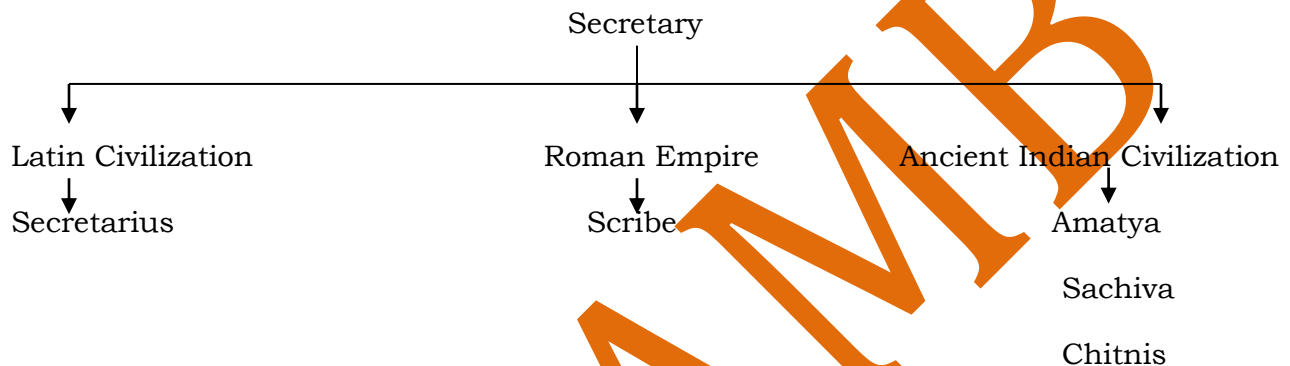


CHAPTER 1. INTRODUCTION TO SECRETARY

Q.1. WHAT DO YOU MEAN BY TERM ‘SECRETARY’? OR EXPLAIN THE ORIGIN OF SECRETARY.

Ans: The profession of the Secretary is one of the oldest professions in the world. Where there was a man of action, there too was a man of the pen to record his deeds. In olden days, kings, Emperors, Landlords, etc. used to appoint secretaries to look after their day to day affairs.



The word ‘Secretary’ has been derived from the Latin word ‘Secretarius’ which means confidential writer or officer or a person on whom the secrets are entrusted by his master/ employer.

In the old Roman Empire, the officer performing secretarial duties or doing secretarial job was called as a ‘Scribe’ which means professional letter writer or one who maintain confidential records.

In Ancient Indian History, whenever we come across with the term ‘Secretary’ we find reference to such in Mughal and Maratha Empire that the person doing secretarial work was called as Amatya, Sachiva or Chitnis.

Q.2. DEFINE THE TERM “SECRETARY”.

Ans: Different authorities have defined Secretary in different ways. So far enactments are concerned; they have not clearly defined the term Secretary. The general definitions of Secretary are as under.

- (i) The **Oxford Dictionary** defines Secretary as a person “whose work is to write for others, especially one who is employed to conduct correspondence, keep records and to transact various other business, for another person or for a Society, Corporation or Public Body”.
- (ii) According to **Indian Companies Act, 1956** “A Secretary means any individual possessing prescribed qualifications and appointed to perform the duties,

which may be performed by a Secretary under this Act and other ministerial or administrative duties”.

From the above definitions, it is clear that a Secretary himself cannot formulate the policies and cannot take independent decisions. He simply assists his employer.

Q.3. EXPLAIN THE CHANGING CONCEPT OF SECRETARY.

Ans: In Ancient times every king, emperor or a person holding an important position in a society or other wealthy person used to appoint a person of great abilities. To look after routine work. But the secretarial work was limited up to the mark as to providing an advice, doing confidential work and writing letters.

In modern times, a secretary has to perform multifarious functions and duties. Due to the expansion of business world, the secretary plays an important role in business organization and works as a backbone for organizational structure.

Thus the concept of profession of secretary has changed from a personal secretary to an institutional secretary.

- 1) **Financial Aspects:** Now days, the objective of every business organization is to earn maximum profit which has resulted in increase in financial transactions. Therefore, every business organization needs to have a secretary having the knowledge of recording financial transactions and preparing different financial statement and reports.
- 2) **Legal Terms:** Every business organization have to fulfill all statutory conditions or provisions of the Act under which it is registered. Therefore, business institutions need a secretary having knowledge of applicable Act and other Acts to ensure compliance of their provisions.
- 3) **Scope of Business:** Due to industrial revolution and increase in demand & supply the business has increased continuously. Hence, to carry out the large business activities, business institutions need a secretary having professional skills and business knowledge.
- 4) **Goodwill:** Public relations are maintained by the secretary through letters, telephone, internet, e-mails etc. and he can create good image of business institution among the public.
- 5) **Technical Aspects:** In order to have development and improvement in modern business practices, many advanced machineries, instruments and methods are used to produce goods in bulk. Therefore, a secretary must have the knowledge of modern techniques and methods such as manufacturing process, operational techniques, and use of computer, time and labour saving devices to enhance the efficiency of the business organization.

- 6) **Government Policies:** As a chief executive officer of the organization, a secretary has to implement the Central and State Government policies from time to time.

Q.4. EXPLAIN THE FEATURES OF SECRETARY.

Ans: The following are the features of secretary:

- 1) **Individual:** A secretary must be an individual. A body corporate or partnership firms cannot be appointed to do the job of a secretary.
- 2) **Representative:** A Secretary acts as a representative of the organization. He represents on behalf of the organization in dealing with the employees, clients, government authorities and others.
- 3) **Employee:** A secretary is a paid employee of a person or organization to carry out work according to the direction of the employer.
- 4) **Qualifications:** A secretary needs to possess certain qualifications. The qualifications of a secretary depend upon the requirement of the employer. Preferably, in general, a secretary needs to be graduate.
- 5) **Qualities:** A Secretary needs to have qualities of head and heart. A secretary needs to have intelligence, discipline, honesty, loyalty etc. Such qualities enable him to perform better.
- 6) **Custodian of secret information:** A secretary is a custodian of valuable and secret information of the organization.
- 7) **Types:** Basically, there are two types of secretaries- (a) Personal Secretary, and (b) institutional secretary such as secretary of club, trade union, company, etc.
- 8) **Executor of policies:** Secretary, being a chief executive officer of an organization, has to execute plans and policies of the management.
- 9) **Remuneration:** A secretary gets his salary and other incentives. In some organizations like co-operative societies, social organizations, etc. he gets honorarium.

Q.5. EXPLAIN THE IMPORTANCE OF A SECRETARY.

Ans: Secretary plays an important role in an organization appointment of a secretary at various organizations & institutions itself indicates the importance of secretary. In an organization whether small, medium or large scale, secretary carries out many important functions. He plays an important role in trade, commerce and industry.

IMPORTANCE OF SECRETARY:

- 1) **Chief Executive Officer (CEO):** A secretary acts as a connecting link between management and staff of the organization. It is important to have an effective and proper communication and co-ordination between the management and the staff at different levels. This implies a good conduct of business activities and continuous flow of work in an organization. Along with these duties, being a chief executive officer of the organization, the secretary implements and executes decisions taken by the management.
- 2) **Administrator:** A secretary looks after the routine office administration of the business. Daily administration of an organization includes office management, documentation of important issues, attending telephone calls, answering to the official mails, attending visitors etc. Secretary reduces the work of top management from the heavy routine work and enables him to concentrate on important matters like formulation of policies, preparation of plans, supervision etc.
- 3) **Advisor:** A secretary is closely connected with all the respects of business operations. Therefore his views, options and observations are always considered valuable while taking important policy decisions. Thus the secretary acts as an adviser to the management in taking appropriate policy decisions.
- 4) **Custodian of secret information:** As the secretary maintains confidential or secret matters, he is called as confidential officer. As he is closely connected with the top management, he attends all meetings of the committees where confidential decisions are taken. All such important decisions regarding business activities are required to be maintained confidential. The secretary acts as a trustworthy and confidential person.
- 5) **Legality:** A secretary is responsible for compliance with legal requirements on behalf of his organization. He has to prepare and maintain certain statutory books and registers under statutory provisions. He has also to file certain returns and statements to the proper authorities within the stipulated time limit laid down by the Acts.

- 6) **Correspondent:** A secretary has to conduct correspondence with members, directors, banks, insurance companies, registrar, government authorities, customers etc. Being the correspondent, he has to draft different types of letters, e-mails etc. skillfully so as to built good image of his organization.
- 7) **Important role in conducting meeting:** Important decisions are taken only in the meetings. Therefore, secretary has to conduct various types of meetings by order of the superiors. He has to perform necessary duties before, during and after the meetings.

HERAMB

OBJECTIVES**Q.1. SELECT THE CORRECT ANSWER FROM THE POSSIBLE CHOICE GIVEN BELOW AND REWRITE THE STATEMENT.**

1. The word 'Secretary' is derived from Latin word Which means confidential writer. **(Secretarius)**
2. The State and Central government also have secretary for all departments functioning under the control of ministers in **(Sachivalaya)**
3. Every business organization needs a secretary having a knowledge of recording Transactions. **(Financial)**
4. In the old Roman Empire, the officer performing secretarial duties was called as **(Scribae)**
5. In Ancient Indian History, the person doing secretarial work was known as **(Amatya)**
6. A secretary is custodian of Information. **(Secret)**
7. A secretary is Of his organization. **(an employee)**
8. Secretary act as an To the top management. **(advisor)**

Q.2. MATCH THE PAIRS.

Group A	Group B
a) Secretarius b) Scribae c) Chitnis d) Secretary e) Submission of returns and statements	1) Employee 2) French word 3) Statutory duty 4) Employer 5) Roman Empire 6) Institutional secretary 7) Ancient Indian History 8) Administrative duty 9) Latin word

ANS: (a-9, b-5, c-7, d-1, e-3)

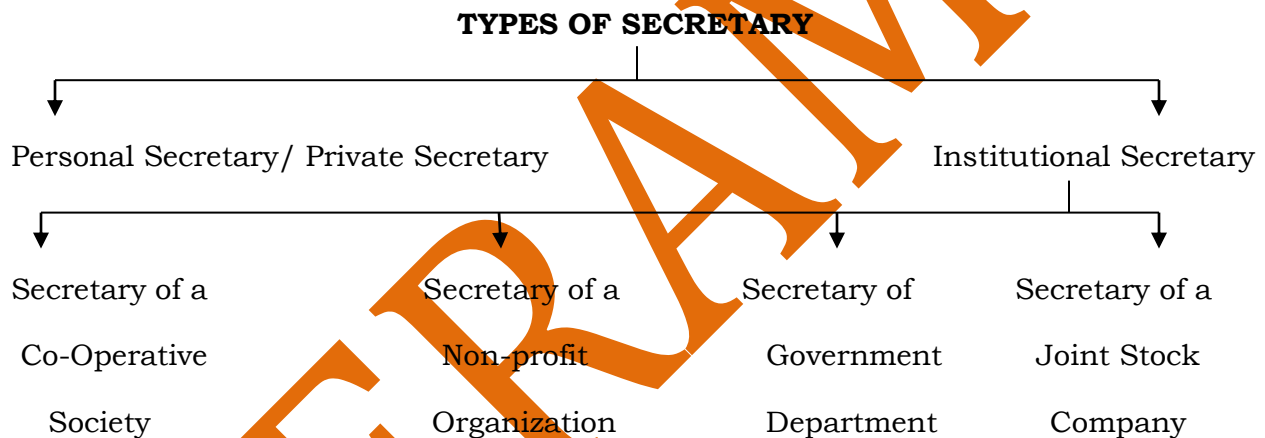
Q.3. WRITE THE WORD OR A TERM OR A PHRASE

1. A person doing secretarial work, in an Ancient Indian History. **Ans- Amatya, sachiva or chitins.**
2. An officer performing secretarial duties in Roman Empire. **Ans- Scribae**
3. A secretary appointed for an individual. **Ans- Personal secretary**
4. A secretary appointed by an institution. **Ans- Institutional secretary**
5. An information which is not supposed to be disclosed by the secretary. **Ans- Confidential or secret information.**

CHAPTER 2. TYPES OF SECRETARY

Q.1. EXPLAIN THE DIFFERENT TYPES OF SECRETARY.

Ans: Followings are the various types of Secretary.



Q.2.WHAT DO YOU MEAN BY PERSONAL SECRETARY AND FUNCTIONS OF PERSONAL SECRETARY.

Ans: MEANING: A personal secretary is the oldest type of secretary. He is generally appointed by professionals like Doctors, Lawyers, Chartered Accountants, Ministers, Member of Parliament, Politicians, Company Directors, etc. He is appointed to look after their personal and official day to day works, to conduct correspondence, drafting speeches, arranging meetings, etc on their behalf. A personal secretary is treated with honour and dignity. His nature of work depends on the nature of the work of his employer.

Therefore, such busy individuals need the services of another person i.e. P.A. to do their routine work, so that they can concentrate on the work which demands their skills.

FUNCTIONS OF A PERSONAL SECRETARY:

a) Correspondence:

- 1) One of the important functions of a personal secretary is to conduct correspondence with others.
- 2) He has to maintain inward and outward mail and registers.
- 3) Send fax, e-mails, telex messages.
- 4) He has to make proper filing of the letters.
- 5) He has to assist the employer in drafting replies.

b) Office Management:

- 1) He has to manage, plan and organize office and office work.
- 2) He has to keep in this custody the important books and registers.
- 3) He has to keep all the office appliances such as computer, fax machine, telephone, etc. in good condition.
- 4) To maintain daily diary for recording all appointments and engagements of the boss.
- 5) To collect the necessary information and keep ready required papers and documents.
- 6) To attend banking transactions.

c) Reception Functions:

- 1) A personal secretary has to attend telephone calls.
- 2) He has to welcome the visitors and to attend to their enquiries.
- 3) He has to fix appointment date, day and time of the visitors with his employer.
- 4) He has to maintain daily diary of his employer.
- 5) If the appointment is to be cancelled, the secretary should politely inform the other party. If required, fresh appointment can be fixed.

d) Financial Functions:

- 1) A personal secretary has to handle banking transactions, such as deposits and withdrawing money, issuing and depositing cheques and demand drafts etc.
- 2) He has to make payment of bills, subscriptions, premiums, other taxes on behalf of his employer.
- 3) He maintains Income and Expenditure Account, Investment records.
- 4) He has to submit Income tax return.

e) Meeting related functions:

- 1) To fix-up day, date, time and place of meeting in consultation with the boss.
- 2) To prepare agenda and notice of the meeting as directed by the boss.
- 3) To make arrangements to hold meeting.

- 4) To keep ready files, papers and necessary information required to conduct the meeting.
- 5) To make arrangements to take votes, if necessary.
- 6) To record the proceedings of the meeting
- 7) To draft the minutes and to get them approved in the next meeting.

f) Other functions:

- 1) He has to arrange and conduct meetings.
- 2) He has to send formal letters of congratulations and condolences on various occasions on behalf of his employer.
- 3) He has to arrange press conference.
- 4) A personal secretary has to take care of the household activities of his employer such as to appoint domestic servants, making payments of wages to them, etc.

Q.3.WHAT DO YOU MEAN BY INSTITUTIONAL SECRETARY? EXPLAIN A SECRETARY OF NON-PROFIT ASSOCIATION.

Ans: INSTITUTIONAL SECRETARY: An institutional secretary is one who is appointed by an institution like a joint stock company, co-operative society etc. The following are the types of institutional secretaries.

MEANING OF NON-PROFIT ASSOCIATION: 'A Non-profit Association means any club, society or a group of persons engaged in promoting a social, educational, cultural, arts, sports activities which carries on common interest without profit motive.'

As the name suggests, its object is not to earn profit through its activities. These associations are service-oriented, which promote welfare of the society. E.g. rotary club, lions clubs, sports club, cultural club, chamber of commerce, educational institutions, etc.

Usually, the secretary of a non-profit association is a member of the managing committee. According to the size and nature of an organization, he may be a full time or part time person working on salary basis or in honorary capacity.

His actual functions depend on the nature and size of the association. He acts as a Public relation Officer of the association. He being an agent and advisor of the association helps the managing committee in formulating and framing rules and regulations.

FUNCTIONS OF A SECRETARY OF A NON-PROFIT ASSOCIATION:

- 1) **Admission of Members:** The secretary of a non-profit association accepts applications for membership and place before the managing committee for the approval.

- 2) **Collecting Fees and Subscriptions:** According to the institutions of the managing committee, the secretary collects entrance fees and subscription fees from its members. It is collected as membership fee.
- 3) **Correspondence:** The secretary has to handle correspondence with the members as well as outsiders on behalf of the association.
- 4) **Administrative officers / office management:** As the chief administrative officer of the secretary is responsible for allocating, guiding, supervising, and controlling the smooth flow of the office work. He has to attend to all inward and outward mail, draft or dictate letters get them typed and sign the letters and dispatch them.
- 5) **Maintaining books of accounts & records:** The secretary is responsible for maintain the accounts of the association while performing this function he has handle receipts and payments of cash, prepare final statements of accounts, propose annual accounts and place them before the managing committee, for their approval.
- 6) **Functions related to meeting:** The secretary has to perform a number of duties before, during and after the meeting of the association such as preparing notice and agenda of the meeting, issuing notice to the members, conducting the meetings, making arrangements for the proceedings of the meeting and writing the minutes.
- 7) **Preparation of Budgets:** The secretary of an association is entrusted with the responsibility of preparing the budgets/estimates for them different activity if the association. He has to place the budget before the managing committee and get its approval.
- 8) **Acts as a Advisory:** The secretary has to act as an adviser to the managing committee so as to help them in formulating plans, Policies and programmes of the association.

Q.4. EXPLAIN CO-OPERATIVE SOCIETY AND FUNCTIONS OF A SECRETARY OF A CO-OPERATIVE SOCIETY.

Ans: MEANING: Co-operative society is a voluntary organization, formed by minimum ten or more persons/ members registered under the Co-operative Societies Act. E.g.

co-operative bank, co-operative housing society, co-operative sugar factory, consumer co-operative store, credit co-operative society, etc.

The main objective of a co-operative society is to protect and safeguard common interest of its members and the public at large by providing them various services and amenities. Its management is based on democratic principles and its works on the basic principle of 'self help through mutual help'.

Generally a member of the managing committee acts as a secretary of a co-operative society. But if it is a large organization, managing committee appoints a separate person as a secretary on salary.

FUNCTIONS OF A SECRETARY OF A CO-OPERATIVE SOCIETY:

- 1) **Administration/ office management:** A secretary acts as a chief executive. He has to manage office and office work. He distributes the office work among the staff. He plans, directs, co-ordinates and controls the activities in office.
- 2) **Correspondence:** The secretary has to handle correspondence with the members of the managing committee and outsiders, government department, etc. He conducts correspondence and keeps the records.
- 3) **Statutory functions:** As a responsible officer, the secretary has to fulfill all the statutory provisions of the Co-operative Societies Act. He must prepare and keep the statutory books and registers, documents, etc. The secretary must submit various documents, returns, annual accounts, etc. to the Registrar of co-operative societies within the prescribed time limit.
- 4) **Functions related to Meeting:** The secretary of co-operative society arranges meetings of the managing committee and general meeting according to the provisions of the Act. He drafts and sends notice and agenda of the meeting of the members. He performs duties before, during and after the meeting.
- 5) **Audit Work:** It is main function of secretary of the co-operative society to finalize the annual accounts and get it audited by the internal auditor appointed by the co-operative society as well as by the Government Auditor of the co-operative department. He has to get the auditor's report approved in the Annual General Meeting of the co-operative society.

Q.5.EXPLAIN THE SECRETARY OF JOINT STOCK COMPANY. WHAT ARE HIS FUNCTIONS?

Ans: MEANING: A Joint Stock Company is a business organization which is owned by members who contribute to the share capital of the organization. It has large membership, huge share capital and perpetual succession.

A Joint Stock Company is a large business organization registered under the Companies Act, 1956. According to the Companies Act, A Joint Stock Company having a paid-up capital of Rs. 5 crore or more must have a whole time secretary with the prescribed qualification mentioned therein.

DEFINITIONS: Section 2(45) of the Companies Act (Amendment) 1947 defines secretary as 'Any individual possessing the prescribed qualification, appointed to perform the duties which may be performed by a secretary under this Act and any other ministerial or administrative duties.'

FUNCTIONS OF SECRETARY OF A JOINT STOCK COMPANY: The functions or duties of secretary are numerous and varied depending upon size and nature of the company. The functions can be classified in the following groups.

- a) **Functions related to the administration:** As a chief executive officer of the company, secretary has to perform following administrative functions such as-
- 1) Appointment of employees, distribution of office work among the employees and getting it done within the allotted time.
 - 2) Supervision and strict control over the office staff.
 - 3) Looking after selection, recruitment, training, promotion and other personal problems of the staff.
 - 4) Keeping the various statutory books and registers, common seal under his custody.
 - 5) Introducing suitable measures for an efficient flow of office work and maintaining discipline in the office.
 - 6) Co-ordinating the functions of various departments.
 - 7) He has to look after office furniture, equipment, stationery, etc. in the office.
- b) **Statutory Functions:** A company secretary has to perform many statutory functions which are as follows-
- 1) Company secretary has to prepare and maintain certain statutory books and registers.
 - 2) Filing of various returns and statements, balance sheet and other documents with the registrar of companies within the prescribed time limit.
 - 3) Under the Income Tax Act, company secretary has to deduct Income Tax from the salaries of the staff and pay to the Income Tax Department.

- 4) Under many other Acts such as Stamp Duty Act, Sales Tax Act, etc. He has to comply with the provisions of the Act.
- 5) Business of the company does not violate the provisions of the Companies Act or any other law or the provisions of the Articles and the Clauses of Memorandum of Association.

c) Functions related to Shareholders: The shareholders are the real owners of the company. Therefore, the company secretary has to perform the following functions related to the shareholders.

- 1) Conducting general meetings i.e. meeting of the shareholders such as statutory meeting, annual general meeting, extra ordinary general meetings.
- 2) Making arrangements for an application, allotments, call on shares, transfer of shares, transmission of shares, distribution of dividend, issue of share certificate etc.
- 3) Supplying information, copies of the document on demand.
- 4) He makes suitable arrangements for the distribution of dividend to shareholders.
- 5) Issuing of notices of shareholders meeting in time.

d) Functions related to Directors: Directors are the representatives of the shareholders. The 'Board of Directors' is a supreme authority in the administration and management of a company. Therefore, secretary has to perform the following functions related to the directors.

- 1) Convene and conduct Board Meetings.
- 2) Issues notice and agenda of the Board Meeting
- 3) Acts as a link between Board of Directors and the staff
- 4) Submits reports and statements of activities of the company
- 5) Executes the decisions taken by the board
- 6) He advises the board of directors on important matters.
- 7) He maintains the register of directors.
- 8) He drafts the minutes from the notes taken at the meeting.

Q.6. EXPLAIN SECRETARY OF GOVERNMENT DEPARTMENT & ITS FUNCTIONS.

Ans: MEANING: In India the central and the State Government have various departments to carry out the administrative work. E.g. home department, finance department, education department, etc. In these departments Governments appoints secretaries to carry out all the administrative work under the control of ministers of the respective departments.

'A secretary of a Government department is an officer whose business is to work under the guidance and direction of the minister to carry out the administrative affairs of a particular ministry'.

The Prime Minister appoints secretaries in various departments of the Central Government. Whereas Chief Minister of a State appoints secretaries in various departments of the State. A person to be appointed as the secretary should be a member of Indian Administrative Services (IAS).

FUNCTIONS OF SECRETARY OF GOVERNMENT DEPARTMENT:

- 1) Assistance in formulation of policies
- 2) Advisory function
- 3) Plans for Execution
- 4) Supply information
- 5) Administration
- 6) Other functions

- 1) **Assistance in formulation of policies:** The secretary of Government department has to collect statistical data and information on the subject matter and provides it to the concerned minister. It is very useful to the minister for formulating the policies.
- 2) **Advisory function:** A secretary of Government department can act as a valuable adviser and guide to the minister in providing workable solutions for the execution of policies.
- 3) **Plans for Execution:** The secretary of Government department has to execute the policy decisions with the help of departmental staff. Before the execution of policy decisions, secretary has to get the plan approved by the minister.
- 4) **Supply information:** The secretary of Government department has to provide/supply necessary and accurate information to the minister so as to enable him to reply to the questions raised in the Parliament and Assembly.
- 5) **Administration/ office management:** Being a chief executive officer of a particular Government department, he has to set-up a suitable organizational structure and allocates work to the staff.
- 6) **Other functions:** The secretary of Government department may have to receive foreign delegations and dignitaries visiting the department. He has to prepare annual progress report of the activities and annual budget of the department.

Q.7. WHAT ARE THE BASIC QUALIFICATIONS OF A COMPANY SECRETARY?

Ans: The secretarial duties vary from organization to organization. They depend upon the type, nature, size and scope of the organization or the requirements of the organization in which the secretary is employed. In order to carry out his functions

and duties, the secretary should possess certain essential qualifications as per the requirements and provisions of the Act/Acts applicable to a particular type of organization.

- A) EDUCATIONAL QUALIFICATION:** The secretary should possess sound general education this help him to think on his own and apply his mind in solving administrative problems of routine nature as well as special nature. Due to educational qualification, he can identify the problems quickly, develop alternative solutions systematically and find out best possible solution under the variable circumstances easily. As well as it is useful for providing correct and up-to-date information on subject matter related to the business activities. The basic educational qualification of a secretary depends upon the type, nature of the organization in which he is employed. A secretary is expected to possess at least a Bachelor's Degree, preferably a degree in Commerce, Economics or Law and skill of typing, shorthand, and computer.
- B) PROFESSIONAL QUALIFICATION:** A secretary must have professional qualification along with general educational qualification to perform his functions and duties efficiently. They are as follows:
- 1) Prescribed Qualification/Associate Membership:** In case of Joint Stock Company, A company having a paid-up capital of Rs. 5 crore or more must have a whole time secretary. He must be the member of 'Institute of Company Secretaries of India' (ICSI), where as in case of the secretary of Government department, he must have passed the 'Indian Administrative Services Examination' (IAS)
 - 2) Legal Qualification:** In the conduct of the business the secretary is required to comply with the provisions of various Acts, such as Income Tax, Sales Tax, Stamp Duty, Minimum Wages Act, along with the Act applicable to the organization. Therefore, secretary must have a legal knowledge or qualification.
 - 3) Command over Languages:** The secretary should have an admirable command over English language and the national language. He must be well in regional and local languages so that he can conduct correspondence, draft letters and reports.
 - 4) Knowledge of Book-keeping and Accountancy and Finance:** The secretary should have knowledge of Book-keeping and Accountancy. He is responsible officer to look into financial matters. Therefore, the secretary of a Joint Stock Company or a big organization may often be a member of the 'Institute of Chartered Accountant of India'. i.e. CA. He should have the

knowledge of money market, stock market, and different ways of raising finance.

5) **Administration knowledge:** Being a chief executive officer of the organization, secretary should have knowledge of office management which is useful for planning, organizing, co-ordinating, direction, staffing, controlling etc. for making the comfortable working conditions and getting the things done in a better way.

6) **Knowledge of Human Relations:** A secretary deals with many people and has to get the work done. Therefore, he must have the knowledge of psychology and other social sciences for maintaining good human relations.

C) **TRAINING QUALIFICATIONS:** Educational or professional qualification is just not enough to make a secretary competent. In addition to that the secretary needs good training. Different institutions provide various types of training to the secretary. Training develops certain skills and abilities in the trainees so that they can do their jobs to the maximum possible capacity. A well trained and experienced secretary would be an asset to an organization.

The advantages of Training are:

- i. Improvement in efficiency of the secretary.
- ii. Able to handle correspondence and other work
- iii. Development of positive attitude towards work, superiors and subordinates
- iv. Reduction in number of mistakes or errors & absenteeism

Q.8. EXPLAIN THE QUALITIES OF A SECRETARY.

Ans: Each profession demands certain skills and talents to be successful in one's own career. Certain skills or qualities are inborn within us and certain qualities may be acquired through proper training, experience or by putting continuous efforts deliberately. Qualities required by a secretary are classified in the following categories.

- a) Qualities of Head.
- b) Qualities of Heart.

a) **QUALITIES OF HEAD:** The qualities which are based on the knowledge and education of a person are known as qualities of Head.

1) **Accuracy:** Accuracy means correctness and perfectness. Accuracy must be maintain by the secretary while keeping the records and maintain the Books

of Account, drafting the reports, letters, documents, circulars, etc. Accuracy of the secretary will impress the outsiders and build-up good reputation of the organization.

- 2) **Concentration:** Concentration means full attention on a particular work. In order to work accurately the secretary must concentration, one is bound to commit mistakes. Correct decisions and appropriate work is possible with proper concentration only.
- 3) **Tact:** Tact means doing or saying the rights at the right time and at the right place. Tact enables a secretary to handle and manage people and situations properly. Tact is a personal skill which depends upon the judgment to be taken in changing circumstances.
- 4) **Punctuality:** Punctuality is related to the time sense and refers to doing things at the appointed time. The work must be done in proper time without any delay and mistake. Punctuality means not only doing things in time but also attaining the activities tactfully without distributing other work.
- 5) **Adaptability:** Adaptability means adjustability/ Ability. A Secretary must be able to adjust and face the sudden changes in government policies, changes in instructions and even change in work. He should always be ready to do and to face the work/ problem which he has never done before.
- 6) **Memory:** A secretary needs a good memory. He should remember the transactions, their term and conditions, names and faces of the visitors. He should also remember the work done, contents of the letters received so that he can make the officer routine efficient.
- 7) **Intelligence:** It means ability to think. The Secretary must be intelligent to understand the nature of the activities, he has to perform and the problems he has to tackle in his day to day work.

b) QUALITIES OF HEART:

- 1) **Loyalty:** Loyalty means faithfulness. A Secretary should be loyal to his employer. He should keep all type of information confidential and secret. He should be fully loyal to his organization.
- 2) **Co-operativeness:** A Secretary should co-operate with his co-workers. He should maintain team spirit and should always extend a helping hand for success of his organization.

- 3) **Leadership:** A Secretary, being the chief administrative officer, has to act as a leader. He must possess certain leadership qualities. He should be able to guide the people and direct them in their work. He must be a good motivator.
- 4) **Pleasing personality:** A secretary deals with many people. Therefore, he should have a pleasing, impressive and winning personality. So that people will be attracted, encouraged to do the work efficiently and effectively.
- 5) **Willingness:** Willingness means readiness for doing the job. The Secretary should always be prepared to carry out any job assigned to him without feeling it as a burden.
- 6) **Initiative:** Initiative means to take lead or to take efforts voluntarily to accomplish a task. He should take quick and rational decisions without waiting for instructions from his boss.
- 7) **Courtesy:** Courtesy means kindness or politeness or consideration for others. The secretary should be very polite when he deals with people.

Q.9. DISTINGUISH BETWEEN:

1. PERSONAL SECRETARY AND COMPANY SECRETARY

Points	Personal Secretary	Company Secretary
1. Meaning	Personal secretary is an individual appointed by the busy persons to do their personal work.	According to Companies Act, 'Any person possessing the prescribed qualification, appointed to perform the duties which may be performed by a secretary under this Act and other ministerial or administrative duties'
2. Qualification	There is no prescribed qualification for appointment of personal	He must be an 'Associate member of the ICSI' i.e. Institute of Company

	secretary.	Secretaries of India.
3. Appointment	He is appointed by the busy persons like doctors, lawyers, actors, businessmen, political leaders, ministers, etc. as personal secretary.	Company secretary is appointed by the Board of Directors' of Company.
4. Legal Status	Personal secretary has no legal status.	Company secretary possesses legal status.
5. Position	He is the personal assistant of his boss.	Company secretary is the chief executive officer of the company.
6. Powers	Personal secretary is given limited powers by his boss.	Company secretary has statutory and managerial powers.

2. SECRETARY OF A CO-OPERATIVE SOCIETY AND SECRETARY OF A NON-PROFIT ASSOCIATION.

Points	Secretary of a Co-operative Society.	Secretary of a Non-profit association.
1. Appointment	He is appointed by managing committee of co-operative society.	He is appointed by managing committee of Association.
2. Qualification	He possesses a Diploma/Degree like GDC&A	There is no prescribed qualification for him.
3. Duties	His rights and duties are laid down in Co-operative Societies Act.	His rights and duties are governed by Managing Committee of Association
4. Object	The main object of a Co-	Its object is not to earn profit

	operative society is to protect and safeguard the common interest of the members and the public. It works on the basic principle of 'self help through mutual help'.	by making any activities. It is engaged in promoting social, educational, cultural, sport activities without profit motive.
5. Status	He has a legal status.	He has no legal status.
6. Position	He is an employee of the society.	Usually, he is a member of managing committee.

3. COMPANY SECRETARY AND SECRETARY OF GOVERNMENT DEPARTMENT

Points	Company Secretary	Secretary of Government Department
1. Appointment	Company secretary is appointed by the Board of Directors of Company.	He is appointed by the State or the Central Government.
2. Qualification	He must be an 'Associate member of the ICSI' i.e. Institute of Company Secretaries of India.	He must pass "Indian Administrative Service (IAS) Examination.
3. Status	He is the chief executive officer of the company. He assist The Board of Directors.	He is the administrative and executive officer of the Government department. He assists the minister of a particular ministry.
4. Compulsion to appoint	Every company having a paid-up share capital of Rs. 5 crore or more must appoint whole time secretary. It is compulsory under the Companies Act, 1956.	Appointment of secretary for every Government department is compulsory.
5. Transfer	He cannot be transferred	He can be transferred from

	from one company to another.	one to another Department as per the government policy.
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OBJECTIVES

Q.1. A SELECT CORRECT ANSWER FROM THE POSSIBLE CHOICE GIVEN BELOW AND REWRITE THE STATEMENT.

- 1) A Secretary is the oldest type of secretary. **(Personal)**
- 2) A personal secretary is appointed by the **(Individuals)**
- 3) Every company having a paid up share capital of Rs. or more shall have full time secretary. **(5 crore)**
- 4) Rotary Club is the example of a **(Non-profit Association)**
- 5) A co-operative society must have minimum members. **(10)**
- 6) Secretary of Government department must be a member of the **(Indian Administrative Service)**
- 7) The are based on the knowledge and education of a person. **(Qualities of Head)**
- 8) means correctness or exactness or perfection in dealing with work. **(Accuracy)**
- 9) is the executive officer of the company. **(Company Secretary)**
- 10) A company secretary keeps information secret. **(confidential)**
- 11) is the oldest type of Secretary. **(Personal Secretary)**
- 12) Charitable Trust is an example of **(Non-profit Association)**
- 13) Filing and record keeping is a function of a secretary. **(Administrative)**
- 14) Maintaining discipline in an organization is a functions of a Secretary **(Co-ordinating)**

Q.2. MATCH THE PAIRS.

Group A	Group B
a) Qualities of Heart b) Qualities of Head c) Personal Secretary d) Lions Club e) Institutional Secretary	1) Busy persons 2) Non-profit Association 3) Government Department 4) I.A.S. 5) Based on education and knowledge of a person 6) Co-operative society 7) Secretary of a Joint Stock Company 8) C.A.

	9) Based on personality and nature of person. 10) Managing Committee.
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ANS: (a - 9, b - 5, c - 1, d - 2, e - 7)

Q.3. WRITE A WORD OR A TERM OR A PHRASE WHICH CAN SUBSTITUTE EACH OF THE FOLLOWING STATEMENT.

1. An association which does not aim at profit making. – **Non-profit association**
2. 'a secretary who is also known as personal assistant. – **personal secretary**
3. Association which is formed for welfare of the society. – **co-operative society**
4. The person appointed by the Board of Directors of the company in accordance with provisions of the Companies Act, if capital is more than Rs.5 crores. – **Company Secretary**
5. The quality of a secretary which enables him to adjust to varying situation. – **Adaptability**
6. Qualities acquired by putting continuous efforts. – **Qualities of Head**
7. An association formed for promotion of art, religion, culture sports, ad science. – **Non-profit Association**
8. An officer of a company who acts as a connecting link between Board of Directors and members.- **Company Secretary**
9. Kindness or consideration for others. – **Courtesy**
10. Ability to adjust changing situations. – **Adaptability**

CHAPTER 3 JOINT STOCK COMPANY

Q.1.WHAT ARE THE DIFFERENT FORMS OF COMMERCIAL ORGANIZATION?

Ans: COMMERCIAL ORGANIZATION: Commerce is an economic activity, which deals with the distribution of goods and services. It includes Trade and Aids to Trade but trading activities will be only possible when there will be something to trade. Thus, industries should be there to produce goods and services for exchange.

There are different forms of business organizations, some of them owned and managed by an individual person. Such business organization is called as Sole Trading Concern. Its owner is called Sole Trader. He brings capital for the business as well as skill and ability. There is another form of business organization, which is owned by two or more persons, which is called as partnership firm. When an organization is owned by the outside public and managed by the Board of Directors, who are elected by the owners, it is called as Joint Stock Company.

Thus, we have following types of Business Organizations:

Sole Proprietorship	Partnership firm	Joint Hindu family Firm	Joint Stock Company	Co-operative Society	Public Enterprises
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Public Enterprises are:-

- Statutory Organization
- Departmental Undertaking
- Government Company

Q.2. DEFINE A JOINT STOCK COMPANY. EXPLAIN ITS FEATURES?

Ans: DEFINITIONS: Indian Companies Act, 1956: According to section 3(1) of the Indian Companies Act, 1956. “Company means a company formed & registered under this act or an existing company”

In brief, a company is an **incorporated association**, which is an **artificial person** created by law, having a **common seal & perpetual succession**.

FEATURES OF JOINT STOCK COMPANY:

- 1) **Incorporated association:** A joint stock company is an incorporated association, which means it is an registered association of persons under Indian companies act, 1956 or some other act. The registration of Joint Stock Company is compulsory.
- 2) **An Artificial person:** A company is an artificial person created by law, i.e. it is created by a legal process & not by natural birth. A company can enter into contracts, buy & sell assets just like a real person.
- 3) **Common seal (Rubber stamp):** Every Company has its own distinct common seal, with the name of the company engraved on it. The common seal attested by the two directors and the secretary, acts as the signature of the company.
- 4) **Perpetual succession:** A Joint stock company has a long & continuous life, its continuity is not affected due to death, insolvency, lunacy etc of the members.
- 5) **Limited liability:** The liability of the shareholder is limited to the extent of the face value of shares held by him.

- 6) **Transferability of shares:** In the case of public company, the shares are freely transferable. A member can easily sell his shares in the stock exchange.
- 7) **Separation of ownership from management:**The owners of the company are known as shareholders. The management of the company is in the hands of the elected representatives of the shareholders known as the Board of directors. Thus there is a Separation of ownership from management.
- 8) **No business secrecy:** There is no business secrecy in case of Joint Stock Company. As per the rules of the companies act, every company has to disclose its financial affairs in the newspapers.
- 9) **Effective government control:** Government keeps strict control on the working of the Joint Stock Company. Registration also is compulsory. Every company has to operate as per the provisions of the Companies act 1956.
- 10) **Separate legal entity:** A company has an independent legal entity, separate and distinct from its members.
- 11) **Voluntary association:** A company is a voluntary association of persons. Any person competent to enter into a contract can become a member.
- 12) **Large Membership:** A joint stock company enjoys large membership. In a private company the minimum members are 2 and maximum members can be 50. In a public company the minimum members are 7 and there is no maximum limit. Thus above given was a brief note on the features of a Joint stock company.

Q.3. EXPLAIN THE MERITS AND DEMERITS OF JOINT STOCK COMPANY?

Ans: MERITS OF JOINT STOCK COMPANY:

- 1) **Large Capital:** A Joint stock company can raise large amount of capital by issue of shares, debentures, loans from financial institutes etc. Thus they can do business on a very large scale due to availability of large capital.
- 2) **Limited Liability:** The liability of shareholders is limited to the extent of the value of shares purchased by him.
- 3) **Stability & continuity:** A company has a separate legal existence. Its continuity is not affected due to death, insolvency & lunacy of the members. It is the most stable form of commercial organization.

- 4) **Transferability of shares:** The shares of public company are easily transferable. A shareholder can easily sell his shares in the stock exchange.
- 5) **Division of risk:** Due to large membership, the risk of the business is spread over a large number of investors.
- 6) **Economies of large scale:** A joint stock company operates its business on a very large scale, hence it enjoys the economies of large-scale business. It can buy latest machines, which lower cost of production, marketing economies etc.
- 7) **Efficient Management:** A joint stock company is efficiently managed because the company can afford the services of expert managers. Such competent manpower enables the company to increase its profitability.
- 8) **Scope for business expansion:** A joint stock company can raise funds (Capital) from the market very easily, moreover it can afford to hire competent manpower. So there is enough scope for expansion of the business.
- 9) **Provides employment opportunities:** A joint stock company provides employment opportunities to a large number of people. It helps to solve unemployment problems of the country.
- 10) **Public confidence:** The Company's books of accounts are published annually in the newspapers, there is no secrecy as in the case of sole trading concern & partnership. this increases the confidence of the public towards a joint stock company.
- 11) **Large Membership:** In a private company the minimum members are 2 and maximum members can be 50. In a public company the minimum members are 7 and there is no maximum limit. Large number of members brings in large amount of funds, which can be profitably invested in the expansion and diversification of the company.
- 12) **Democratic management and control:** The management and control of a Joint Stock Company is in the hands of highly skilled Board of Directors. If the shareholders find that the directors are inefficient or corrupt they can remove them and elect new directors instead.

DEMERITS OF JOINT STOCK COMPANY:

- 1) **Difficult to form:** The procedure for the formation of Joint stock company is lengthy & complicated.
- 2) **Government Interference:** A Joint stock company is subject to excessive government control right from the stage of formation to the stage of winding up.
- 3) **Lack of secrecy:** In case of Joint Stock Company there is no business secrecy as there are a large number of members & the annual accounts are to be published in the newspapers.
- 4) **Lack of personal interest:** Personal interest in the management of the business is absent in case of joint stock company as there is separation of ownership from management.
- 5) **Slow decision making process:** The decision making process is very slow as the board of directors have to consult the shareholders for taking important decisions. For this purpose the board of directors have to convene (call) meetings of shareholders hence decisions cannot be taken quickly.
- 6) **Not suitable for all kinds of business:** A joint stock company is not suitable for those business which requires quick decisions & prompt action, where customers personal needs are to be satisfied etc.
- 7) **Organizational Problems:** Due to its large size a joint stock company becomes very difficult to manage & hence it faces a large number of organizational problems.
- 8) **Scope for fraud:** Due to separation of ownership from management there is a chance of fraud being committed by the board of directors.
- 9) **Difficulties in winding up (Closure):** As in the case of formation, the winding up of Joint Stock Company is a very difficult task & lot many legal formalities are to be completed.
- 10) **Lacks flexibility:** A joint stock company is less flexible as compared to sole trading and partnership firms. This is because it cannot change or take immediate decisions.

11) Heavy taxation: Joint stock companies are subject to heavy taxation. However, in the case of sole trading concerns, the burden is less.

Thus above given was a brief note on the merits & demerits of Joint Stock Company.

HERAMB

OBJECTIVES

Q.1. SELECT THE PROPER OPTION FROM THE OPTIONS GIVEN BELOW AND REWRITE THE SENTENCE:

1) A company is ____ person

a) an natural

b) an artificial

c) an false

2) Registration of a Joint stock company is _____

a) optional

b) compulsory

c) voluntary

- 3) A Joint Stock Company has a _____ life.
- a) short b) long **c) perpetual**
- 4) A Shareholder is _____ of the company.
- a) a creditor **b) an owner** c) an employee
- 5) The liability of a shareholder is _____.
- a) Limited** b) Unlimited c) joint
- 6) The management of a company is vested in _____.
- a) the shareholder b) the chairman **c) the board of directors**
- 7) The _____ acts as the signature of the company.
- a) Trade mark **b) common seal** c) brand name
- 8) In a private company, the maximum number of members is _____
- a) Ten b) Twenty **c) Fifty**
- 9) The minimum number of member required for the registration of a public limited company is
- a) Two **b) Seven** c) ten
- 10) A Government company is one in which the share capital contributed by the government is not less than _____
- a) 25% b) 40% **c) 51%**

CHAPTER 4. FROMATION OF JOINT STOCK COMPANY.

Q.1. WHAT DO YOU MEAN BY FORMATION OF COMPANY?

Ans: MEANING OF FORMATION OF COMPANY: Formation of company means to establish a 'New Company'. A company is said to be established when it is registered under the companies Act. The formation of a company involves various legal formalities and activities. Formation of a joint stock company is not an easy task. It is most complicated and time consuming activity.

Q.2. WHAT ARE THE STAGES INVOLVING IN COMPANY FORMATION?

Ans: Formation of Joint Stock Company involves following four stages.

- 1) Promotion stage
- 2) Incorporation stage
- 3) Capital Raising Stage
- 4) Commencement of Business Stage (Obtaining Trading Certificate)

1) **PROMOTION STAGE:** This is the first stage in the company formation. The foundation for the company is laid down here. Promotion of company begins when one takes lead to form a company. The persons who take steps to organize a company are known as 'Promoters'.

Promoter: Promoters are 'Pioneers' and 'Creators' of company. They are men of imagination and resources. They see an opportunity of business and grab it. The idea of starting a new company comes first in the minds of promoters. They devote time and bear risk to step up a company. 'Promoters' is a general term. It has not been defined anywhere in the Companies Act 1956. However the following are some definitions of promoters.

Definition: According to Guthmann and Dougal "Promoter is a person who prepares the plan for formation of company and brings company into existence, as an artificial person".

Meaning: The person who undertakes the responsibility of forming/ promoting a company is known as promoter. Promoters are 'Pioneers' and 'Creators' of company. They see an opportunity of business and grab it. They devote time and bear risk to step up a company. In simple word, a promoter is a founder of a company.

Functions of Promoters:

1. He takes initiative in formation of company.
2. They arrange for requisite number of persons, i.e. 2 (for private company) & 7 (for public company)
3. He decides name of company, amount of capital, location of registered office etc.
4. Promoters appoint banker, broker, legal advisor, auditor etc.
5. He also appoints first Director.
6. Promoters get Memorandum & Articles drafted & printed.
7. They arrange for preparation of prospectus, its advertisement and issue of capital.

Remuneration: Remuneration is paid to promoter for his service provided in the formation of company. It may be paid in cash or partly in cash & partly in shares.

Meaning of Promotion of Company: Prof. Haney: “The process of organization and planning finance enterprise under corporate form”.

STEPS IN PROMOTION STAGE:

1. **Discovery of Business Idea:** Here, the promoters find out a new idea or opportunity. The idea may be to introduce a new product of new process of production or new service in the market. They formulate plans about the same. They make rough estimate of probable expenditure and revenue.
2. **Investigation:** Here, promoters go into detailed investigation of idea. It includes collecting information and data about location for the company, labour, capital, raw materials and so on. To carry out detailed investigation, the promoter has to appoint experts such as engineers, financial experts, marketing experts etc. These experts prepare ‘project Report’.
3. **Verification:** Here, the promoters have to verify the reports. A team of impartial experts is appointed to go through these reports. They cross examine the ‘Finding’ of the reports. They locate defects, if any. Thus safety of business is assured.
4. **Assembling of Resource:** Here, the promoters assemble various factor of production such as men, money, material, machinery and market. In other words, promoters approach financiers for raising finance. They enter into contract for purchase of property such as land, building, machinery etc. They appoint legal advisor, company secretary etc. They arrange for raw materials and marketing etc.
5. **Preparation of Financial Plans:** Here, the promoter prepare ‘financial/capital plan’. They decide about:
 - a) What amount of capital to be collected?
 - b) How it is to be collected?
 - c) When it is to be collected?Thus promoters work out the total requirement of capital to be collected by issue of shares, debentures etc. Even financial institutions, financiers are contacted for raising additional capital.
6. **Presentation:** Here, promoters have to draft two important documents:
 - a) Memorandum of Association
 - b) Articles of Association

These documents are to be submitted along with registration form.

- 2) **INCORPORATION STAGE:** Registration of company is compulsory in India. Promoters will have to get company incorporated under the 'Companies Act 1956'. Promoters should take the following steps for registration of company.

STEPS IN INCORPORATION:

1. **Selection of Name:** The promoters select few names for the company and apply to Registrar of Companies. The Registrar informs about availability of name. Then the promoters finalise name for their company. Along with name, place of registered office and place of business etc. will be finalized.
2. **Filing of Document & Declaration:** For registration of the company the following fundamental documents are to be submitted to the Registrar.
 - a) Memorandum of Association: It is a charter of the Company. It speaks about aims and objectives of the company. It is stamped and signed by 2 persons in case of private company and 7 persons in case of public company.
 - b) Articles of Association: It contains rules and regulations regarding internal management of the company. It is duly stamped and signed by the signatories to the Memorandum of Association.
3. **List of Directors:** It is a list of persons, who have agreed to act as a director of the proposed company. It also includes names, addresses etc. of such directors. Section 252 provides that every private company must have at least two directors and public company must have at least three directors.
4. **Consent of Directors:** Those persons, who have agreed to act as directors, give their consent in writing. They give undertaking that they are ready to purchase and pay for qualification shares.
5. **Notice of Address:** The notice of address of the registered office must be given to the Registrar of Company.
6. **Payment of Necessary Fees:** A registering company must pay the prescribed filing and registration fees and stamp duty in the office of registrar.

The Registrar will examine all these documents. If he is satisfied, he enters the name of company in the 'Register of Companies'. The 'Certificate of Incorporation' will be issued by Registrar under his seal and the company becomes a legal entity from the date of incorporation.

A private company can start its business after securing 'Certificate of Incorporation'. However public company has to go through two or more stages as it has to collect capital from public.

- 3) **CAPITAL RAISING STAGE:** The public company has to collect required amount of capital from the public by issuing shares. Immediately after registration, the company makes necessary arrangement for collection of capital. After incorporation of company, directors take over affairs of the company. Usually, the promoters act as 'First Directors' of a company.

Following steps are required for raising of capital:

1. **First Board Meeting:** The first meeting of Board of Directors will be called/arranged to the business noted below:
 - a) To confirm the appointment of secretary
 - b) To confirm the appointment of banker, broker, solicitor and auditor.
 - c) To decide minimum subscription amount.
 - d) Adoption of underwriting contracts in order to secure minimum subscription.
 - e) To approve draft of prospectus.

2. **Issue of Prospectus:** A prospectus is an invitation to public to subscribe for capital. After filing of prospectus with the Registrar, a company has to issue it to the public within 90 days.
The public company has to take approval of SEBI, if the public offer for sale of shares exceeds Rs. 3 crores.
When a public company collects capital privately it does not issue prospectus to the public .But file a 'statement in lieu of prospectuses'.

3. **Collection of Application Form:** Through prospectus, investors get necessary information about a company. They submit their application for shares, along with application money to the banker. Application money is a separate account called 'Escrow Account' in a Scheduled Bank.
The banker will forward all application to the company's head office.

4. **Allotment of Shares:** A public company can make allotment of shares only when it collects 'Minimum Subscription'. Minimum subscription amount must be stated in the prospectus. As per SEBI guidelines, it is 90% of the first issue of shares. A company must collect this amount within 120 days from the date of issue of prospectus.

If the minimum subscription is not collected by the company, it does not get 'Trading Certificate' and it has to refund the amount to the applicant within 10 days.

When a company fails to collect minimum subscription the situation is called 'undersubscription'. To avoid undersubscription 'Under subscription Agreement' is made with underwriters. The underwriters give guarantees to purchase that are not taken up by the public. Banks, Insurance Companies, Financial Institutions act as underwriters and purchase unsold shares of the company.

When a company collects more than its issued share capital, the situation is known as 'Oversubscription'. It is a situation where people apply for more number of shares. Here the directors adopt suggestion given by 'Allotment Committee' for allotment of shares.

The applicants to whom shares are allotted will be sent 'Letter of allotment' and 'Letter of regret' will be sent along with the refund order to whom shares are not allotted.

5. ***Issue of share certificate:*** Share certificate will be issued to every allottee. It is a document of title to share issued by the company under its common seal. It is a registered document. It must be issued within three months from the date of allotment of shares.
6. ***Register of Members:*** After the sale of shares 'Register of Members' is prepared. It is a statutory book in which name and all details about shareholders are noted.
- 4) ***COMMENCEMENT OF BUSINESS STAGE:*** This is a final stage in the formation of a public company. After collection of capital, a company will have to file the following declarations with the Registrar of Companies.
 - a) A statement of declaration that a copy of prospectus or 'statement in lieu of prospectus' is filed with the Registrar.
 - b) A statement of declaration that minimum subscription amount has been collected.
 - c) A declaration that directors have purchased and paid for qualification shares.
 - d) A statutory declaration that all the legal requirements have been complied with.

Along with above documents, necessary filing fees are paid. The Registrar will examine all these documents and if satisfied, the 'Trading Certificate'/'certificate of Commencement of Business' is issued under his seal and signature.

After the receipt of 'Trading Certificate' a public company will be able to start its business activities.

PENALTY: If public company having share capital, commences business before obtaining 'Trading Certificate', every person in default shall be liable to a fine up to Rs. 5,000/- for every day of default. If a company does not start its regular business within one year of incorporation, it may be wound up by Court.

Q.3. DISTINGUISH BETWEEN:

1. Certificate of Incorporation and certificate of Commencement of Business

Points	Certificate of Incorporation	Certificate of Commencement of Business
1. Meaning	It is a certificate issued after the Incorporation of company. It is birth Certificate of the company.	It is a certificate issued of public company after completion of formation procedure. It is a signal to start business.
2. Need	Public company as well as Private company needs this certificate.	Only public companies need this certificate.
3. Purpose	It is a proof that company is Incorporated. It gives legal status to the company.	It enables public company to start business immediately on receipt of this certificate.
4. Documents Required	To obtain this certificate, following documents are needed- a) Memorandum of Association b) Articles of Association c) List of Directors d) Notice of address of Registered Office. e) Consent of Directors.	To obtain this certificate, following documents are needed- a) Filing of prospectus/ statement in lieu of prospectus b) Declaration of collection of 'minimum subscription' c) Completion of all legal formalities.
5. Order of Issue	It is collected first, i.e. before Trading Certificate is obtained.	It is collected after collection of 'Certificate of Incorporation'.

OBJECTIVES

Q.1. SELECT THE CORRECT ANSWER FROM THE POSSIBLE CHOICES GIVEN BELOW AND REWRITE THE STATEMENTS.

- 1) A is a person, who discovers the business opportunity. **(Promoter)**
- 2) A company must start its business within of incorporation of company. **(Six Months)**
- 3) The promoters are of the company. **(Pioneers)**
- 4) A company must collect minimum subscription amount within days. **(120)**
- 5) After receipt of A public company will able to start it's business. **(Trading Certificate)**
- 6) Share Certificate must be issued within months from the date of allotment of shares. **(Three)**
- 7) The applicants who are allotted shares will be sent letter. **(Allotment)**
- 8) After receipt of A private company can start it's business. **(Certificate of Incorporation)**
- 9) An gives guarantee to purchase unsold shares. **(Underwriter)**
- 10) The public company has to take approval of SEBI, if public offer for shares exceeds Rs..... crores. **(Three)**

Q.2. MATCH THE PAIRS.

Group A	Group B
a. Promoters b. Underwriters c. Listing of Shares d. Share Certificate e. Birth Certificate	1. Certificate of Incorporation 2. Document of title of shares 3. Pioneers of company 4. Reserve Bank of India 5. Stock Exchange 6. Managers of company 7. Guarantee about sale of shares 8. Document of title of debentures 9. Trading Certificate 10. Guarantee about sale of goods

Ans: (a - 3, b - 7, c - 5, d - 2, e - 1)

Q.3. WRITE A WORD OR A TERM OR A PHRASE WHICH CAN SUBSTITUTE EACH OF THE FOLLOWING STATEMENT.

- 1) The person who initiates scheme of information of company. – **Promoters.**
- 2) A certificate issued after registration of company. – **Incorporation Certificate**
- 3) The certificate required by public limited company to start business activities.-
Trading Certificate
- 4) Name the type of company which can start it's business after getting 'Certificate of Incorporation'.- **Private company**
- 5) Name the type of company which can start it's business after securing 'Trading Certificate'.- **Public Company**
- 6) Name the company which raises it's capital by issuing shares to public. - **Public company.**
- 7) A person who gives guarantee of raising minimum subscription. – **underwriters**
- 8) A minimum amount of capital to be collected by company at initial stages. -
90% of the first issue of shares.
- 9) A letter sent to the applicant to whom shares are not allotted. – **Regret letter**
- 10) Name the account in which application money is deposited. – **Escrow Account**
- 11) A letter sent to applicant to whom shares are not allotted. – **Allotment Letter.**

CHAPTER 5. DOCUMENTS RELATED TO THE FORMATION OF JOINT STOCK COMPANY

Q.1. DEFINE MEMORANDUM OF ASSOCIATION AND EXPLAIN ITS FEATURES.

Ans: DEFINITION: Section 2(28) of Companies Act, 1956: “Memorandum means Memorandum of Association of Company, as originally framed and as altered from time to time in pursuance of any previous company law or this Act”.

MEANING: The first step in the formation of company is to prepare ‘Memorandum of Association’. It is to be filed with the Registrar of Companies for the purpose of incorporation of a company. It is a primary and supreme document of company.

Lord Cairns: “Memorandum of Association is the fundamental document of the company. It is foundation on which structure of company stands. It lays down limitations of its activities”.

In short, Memorandum defines the relationship of a company with the outside world. It shows aims and objectives of the company. In fact, it fixes the area of its operation and range of business activities. Memorandum is rightly described as almost an unalterable document. A company cannot easily change any provision stated in the Memorandum. It is because such change may affect the interests of shareholders, Creditors and general public. Thus memorandum is the most stable and semi-permanent document. It is compulsory for every company. It is, therefore rightly called ‘Constitution’ or ‘Charter’ of the company. It is primary, basic and fundamental document. Memorandum of Association is prepared according to the provisions of ‘Companies Act 1956’. It is printed and divided into paragraphs numbered serially.

FEATURES:

1. Memorandum states the nature of business activities to be conducted by company.
2. It informs about scope of activities of the company.
3. It is prepared by promoters of company.
4. It is signed by at least 7 person in case of public company and 2 persons in case of private company.
5. It is submitted to the Registrar of Companies for the registration i.e. for getting ‘Certificate of Incorporation’.
6. All companies must prepare their own Memorandum of Association.
7. It defines the relationship between the company and outsiders.
8. It is almost unalterable charter of the company because change can be made with a great difficulty.

9. It is a public document. Hence it can be inspected by any individual as and when necessary.
10. Any act done beyond the powers of memorandum, ultra-virus the Act.

Q.2. WHAT ARE THE CONTENTS OF THE MEMORANDUM OF ASSOCIATION? OR EXPLAIN THE CLAUSES OF MEMORANDUM OF ASSOCIATION.

Ans: CONTENTS OF MEMORANDUM OF ASSOCIATION:

- 1) **Name Clause:** This is the first clause in the Memorandum. It contains the name of the company. A company can choose any suitable name subject to the following restriction:
 - a. Company cannot adopt a name which is identical with the name of existing companies.
 - b. The words like 'Government', 'State', and 'Municipality' should not be included in the name of the company.
 - c. The name of the public company must contain word 'Limited' at its end, and name of private company must end with words 'Private Limited'.
 - d. The name should not be suggestive of support of any political party.
 - e. The name should not be objectionable under the provisions of the Emblems and Name Act 1950.
 - f. The name should not be related with a person, a leader or a party.
 - g. At least three names are to be suggested.

Alteration of Name of Company: A company can change its name whenever it wants. It can do so by adopting the procedure given below:

- a. By passing a special resolution in general meeting.
- b. By obtaining the approval of Central Government in writing.

- 2) **Domicile Clause:** It is the second clause in the Memorandum. It provides the name of State in which registered office of the company is situated. Address of the registered office is important because-
 - a. It ascertains nationality of the company.
 - b. It shows the place where registers, document and papers etc. relating to company must be kept.
 - c. It shows where all notices and other communications can be sent.
 - d. It specifies jurisdiction of the court.

Alteration of Domicile Clause:

The

procedure for changing location of registered is as follows:

- a. A special resolution is passed in the general meeting, if company changes registered office from one place to another, in the same state. A copy of special resolution is filed with the Registrar within 30 days of passing.
- b. If company shifts its office from one state to another then a special resolution is passed in the general meeting and copy of it is filed with Registrar within 30 days. In addition to this, a confirmation order from 'National Company Law Tribunal' is obtained.

3) **Object Clause:** This is third clause in the Memorandum. It is most important clause since it defines the object of company. It indicates scope of activities of the company. A company can do anything beyond its objects. The object clause can be classified as:

- a. Main objects: These are the primary objects for which company is formed.
- b. Incidental object: These are the secondary objects, achieved along with main objects.
- c. Other objects: These objects are not included in (A) and (B).

Alteration of Object Clause: The Companies (Amendment) Act 1996, has simplified the procedure to alter object clause. Now alteration of object clause requires passing of a special resolution in the general meeting. A copy of special resolution is filed with the Registrar within 30 days of its passing.

4) **Liability Clause:** This is the fourth clause in the Memorandum. This clause states the nature of liability of members. It states that liability of every shareholder is limited to the face value of share or share held by him. This means the shareholders are liable to pay unpaid amount on their shares. For example, If a shareholder has paid Rs.75 on his share of Rs. 100, his liability is up to Rs. 25 only i.e. unpaid balance on the share.

In case of a company limited by guarantee, this clause will state the amount which every member undertake to contribute, in the event of liquidation of company.

Alteration of Liability Clause: The liability of members can be increased only if the concerned member agrees in writing. The liability clause may be altered so as to make liability of directors unlimited, if authorized by 'Articles of Association'. The director has to give consent on writing to this effect. For this purpose a special resolution is passed and a copy of it is to be filed with the Registrar within 30 days of passing the resolution.

5) **Capital Clause:** It states the total amount of share capital, with which a company is registered i.e. 'Authorised Capital' of the company. It also mentions types of shares, their number, face value etc. Where the capital is divided into different classes of shares, it has to mention the rights attached to each class

of shares. The companies Act 1956 permits issue of two types of shares – (1) Equity Shares (2) Preference Shares.

Alteration of Capital Clause: A company can alter its share capital, if authorized by 'Articles of Association'. The company can alter share capital in the following ways –

- a) Increase in share capital by issue of new shares.
- b) Reduction in share capital.
- c) Reorganization of capital Structure.
- d) Conversion of shares into stock.

In order to increase the share capital, a company has to pass only ordinary resolution

In order to reduce or reorganize the share capital a company has to pass a special resolution and obtain court sanction.

6) Association (Subscription) Clause: This is the last clause of Memorandum. It contains a declaration by signatories of Memorandum, that they are subscribing their signatures to Memorandum of Association. This clause also covers the names, addresses, occupations of the subscribers. It also state that the signatories have agreed to purchase atleast one share of the company. It may state the number of shares agreed to be purchased by signatories and it also contains their signatures.

Alteration to Association Clause: Alteration to association clause is not possible.

Q.3. NOTE ON ARTICLES OF ASSOCIATION.

Ans: MEANING: An Article of Association is second important document, which the promoters have to prepare, before registration. It is filed with the Registrar at the time of registration of the company. It contains rules and regulations for internal management of the company. It constitutes a contract between the company and its members.

DEFINITION: Lord Justice Bowen: "The articles of association are internal regulations of company and are for the benefits of shareholders".

Articles are subordinate to the Memorandum of Association. Thus, Articles are governed by Memorandum of Association. A Memorandum of Association states the objectives and Articles of Association suggests the manner in which these objects can be achieved.

CONTENTS OF ARTICLES OF ASSOCIATION:

1. Share capital, rights of members.
2. Call on shares.
3. Transfer, transmission of shares.
4. Line on shares.
5. Conversion of shares into stock.
6. Share warrants.
7. General Meetings.
8. Voting by members.
9. Directors, their qualification shares, appointment, remuneration etc.
10. Board Meetings.
11. Managers, managing director and secretary, their appointment, remuneration, removal etc.
12. Dividend and Reserves.
13. Books of accounts and Audit.
14. Capitalization of profit.
15. Company Investment.
16. Common Seal.
17. Borrowing power of company.
18. Notices.
19. Winding up.

Q.4. NOTE ON PROSPECTUS.

Ans: MEANING: As per Indian Companies Act, 1956, prospectus means any document described or issued as a prospectus and includes any notice, circular, trade advertisement or other document inviting offers from general public for subscription or purchase of any shares or debentures of a company. Thus the Prospectus is a document which brings to the notice of the public about the prospectus of the company.

The promoters and directors invite the public to subscribe to its shares and debentures by issuing prospectus.

DEFINITION: Sec (2) (36) of the Companies Act 1956, "A prospectus means any document described or issued as a 'Prospectus'. And includes any notice or circular, advertisement or other document inviting deposits from the public or inviting offers from the public for subscription or purchase of any shares or debentures of "body corporate".

THE PROSPECTUS MUST HAVE FOLLOWING INGREDIENTS:

- Prospectus always must be in writing.
- It is an invitation to the public to subscribe to the shares of a company.

Legal requirements relating to issue of Prospectus:

1. Prospectus is issued after formation of a company.
2. Prospectus must be dated. The date is the date of publication of Prospectus.
3. Prospectus must be signed by proposed directors of company.
4. A copy of prospectuses must be filed with the Registrar.
5. Prospectus must be accompanied by a blank application form.
6. Prospectus must be issued to the public within 90 days from the date filing it with Registrar of companies.

Contents of Prospectus:

1. Name of the company.
2. Address of registered office of the company.
3. Capital structure of the company.
4. Classes of shares, their face value, amount payable on application and allotment.
5. Name of stock exchange on which shares are listed.
6. The main object of company and future prospectus of company.
7. Nature of business of company.
8. Future plans of company.
9. Location of factory.
10. Particulars of assets.
11. Information about – promoters, managing directors, manager, banker, broker, solicitor, underwriters etc.
12. Interest of Directors.
13. Rights of Directors regarding allotment, etc.
14. Preliminary contracts.
15. Minimum subscription amount.
16. Procedure for application of shares.
17. Opening and closing dates of subscription list.
18. Date and signatures of all Directors.

Q.5. NOTE ON STATEMENT ON LIEU OF PROSPECTUS:

Ans: When a company collects capital from among its promoters, directors, their friend and relatives, it does not approach public for securing capital. In this situation, Sec 70 of the Companies Act provides that if no prospectus is issued, a statement called 'Statement in lieu of Prospectus' must be filed with the Registrar for registration.

The statement in lieu of prospectus must be duly signed by all persons named therein as directors. This statement contains similar information as per the prospectus. It has to be filed with the Registrar of Companies at least 3 days prior to allotment of shares.

Q.6. DISTINGUISH BETWEEN.

1. Memorandum of Association and Articles of Association

Points	Memorandum of Association	Articles of Association
1. Meaning	It is a charter of the company. It defines the aims and objects for which company is formed.	It is a document containing rules and regulation for the internal management of the company.
2. Status	It is primary and supreme document of company. It is life giving document.	It is secondary document. It is subordinate to Memorandum.
3. Objectives	It defines the scope of activities of the company. It fixes the area of its operation.	It lays down rules for internal working of company.
4. Relationship with Company	It defines relation between the company and outsiders e.g., sellers, buyers, debtors creditors etc.	It defines the relation between the company and members. It has nothing to do with outsiders.
5. Preparation	Every company must prepare and file its own memorandum for the purpose of registration. It is compulsory for all types companies.	Every company must prepare and file its own Articles. But a public company can adopt Table A as its Articles.
6. Alteration	The process of alteration of Memorandum is complicated. It is possible	The process of alteration of articles is simple. It must be subject to provisions of

	only if members agree and sanction of Central Government, Court or Company Law Board is obtained.	Companies Act and Memorandum.
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2. Prospectus and Statement in lieu of Prospectus.

Points	Prospectus	Statement in Lieu of Prospectus
1. Meaning	Prospectus contains an invitation to the public to subscribe for shares and debentures of company.	It is similar to prospectus, but does not invite public to subscribe for capital. It is prepared to comply with the provisions of Companies Act 1956.
2. Purpose	It is used for publicity as well as filing with the Registrar.	It is used only for the filing with the Registrar.
3. Need	It is required when company raises capital from public.	It is required when capital is raised privately. It is needed only for the filing purpose.
4. Suitability	Large public limited companies issue prospectus to collect huge capital.	Small public companies can raise capital privately. They prepare this statement for filing with the registrar.
5. Publicity	It gives wide publicity to the company.	It is filed with the registrar and it is not advertisement.
6. Filing with Registrar	90 days prior to issue to public.	3 days prior to allotment of shares.

OBJECTIVES**Q.1. SELECT CORRECT ANSWER FROM THE POSSIBLE CHOICE GIVEN BELOW AND REWRITE THE STATEMENT.**

- 1) The Is primary and supreme document of the company. (**Memorandum**)
- 2) The rules regarding internal management are given in the (**Articles of Association**)
- 3) A is called as silent salesman of a company. (**Prospectus**)
- 4) A public company may adopt in place of articles of Association. (**Table 'A'**)
- 5) A public company must publish for raising capital. (**Prospectus**)
- 6) A memorandum should be signed by at least persons in case of public company. (**Seven**)
- 7) A memorandum should be signed by at least persons in case of private company. (**Two**)
- 8) The is subordinate document to memorandum. (**Articles of Association**)
- 9) For alteration in the Articles resolution is required. (**Special**)
- 10) Prospectus must be issued to public within days from date filing with Registrar. (**90**)

Q.2. MATCH THE PAIRS.

Group A	Group B
a) Memorandum of Association b) Articles of Association c) Prospectus d) Statement in lieu of prospectus e) Table 'A'	1. Model set of 99 articles 2. Invitation to purchase shares 3. Constitution of company 4. Model set of 199 articles 5. Invitation for meeting 6. Rules regarding internal Management 7. Collecting capital privately

	8. Rules regarding external affairs of company 9. Collecting bank deposits 10. Constitution of sole Trading concern
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Ans: (a - 3, b - 6, c - 2, d - 7, e - 1)

Q.3. WRITE A WORD OR A TERM OR A PHRASE WHICH CAN SUBSTITUTE EACH OF THE FOLLOWING STATEMENTS.

1. A Constitution of charter of the company. – **Memorandum of Association**
2. A model set of 99 articles attached to Companies Act 1956. – **Table 'A'**
3. The document which defines relationship between company and outsider. – **Memorandum of Association**
4. An almost unalterable document of the joint stock company. – **Memorandum of Association**
5. The clause of memorandum which provides the name of state in which company's registered office is situated. – **Domicile Clause**
6. An invitation to public to subscribe for shares or debentures of company. – **Prospectus**

CHAPTER 6. MACHINERY MONITORING JOINT STOCK COMPANIES

Q.1. WHAT DO YOU MEAN BY MONITORING MECHANISM? EXPLAIN THE NEED FOR MONITORING MECHANISM.

Ans: MEANING: The companies Act, 1956 is a complex set of legislation containing around 658 sections, several schedules, forms, rules and regulations. For efficient, convenient, effective and transparent administration of the Companies Act, it is necessary to have a proper administrative mechanism.

NEED FOR MONITORING MECHANISM:

- 1) **To regulate the working of companies:** Ministry of Corporate Affairs, through its affiliated offices like Company Law Board, Regional Directors, Registrar of Companies, National Company Law Tribunal adjudicate and regulate working of companies.
- 2) **Compliance of Law:** Monitoring mechanism is necessary to see that companies are formed and established after following the due process of law and in compliance with the stipulated procedure.
- 3) **To redress grievances of investors:** Under the Investors Education and Protection Fund, Ministry of Corporate Affairs provides a forum for redressal of grievances of investors relating to allotment of shares, refund of allotment money, non-receipt of annual report etc.
- 4) **To protect the interest of creditors:** Several rules and regulations have been incorporated in the monitoring mechanism to protect the interest of creditors. Procedures have also been laid down in order to protect interest of creditors.

- 5) **Avoid misuse of funds:** In order to avoid misuse of funds by the promoters and management of a company several provisions have been incorporated in the Companies Act and monitoring mechanism.
- 6) **To prevent malpractice of directors:** In order to bring greater transparency and to avoid malpractices the monitoring mechanism has been insisting on more use of technology. The Government has allowed the company to hold directors meeting through teleconference.

Q.2. NAME THE DIFFERENT MONITORING MECHANISM.

Ans: The different monitoring mechanism are as follows:

1. Department of Company Affairs
2. Company Law Board
3. Regional Directors
4. Registrar of Companies
5. National Company Law Tribunal (NCLT)
6. National Company Law Appellate Tribunal (NCLAT)
7. The Official Liquidator
8. Advisory Committee
9. Jurisdiction of Court.

Q.3. EXPLAIN MINISTRY OF CORPORATE AFFAIRS AND ITS FUNCTIONS.

Ans: (Formerly department of company affairs) – Ministry of Corporate Affairs is headed by Minister of Corporate Affairs and assisted by Minister of State for corporate affairs. It works through six regional directors.

FUNCTIONS OF MINISTRY OF CORPORATE AFFAIRS:

- 1) To administer the Companies Act, 1956 and other applied Acts and Rules and Regulations framed for regulating the functioning of corporate sector.
- 2) To co-ordinate and perform regulatory functions along with R.B.I., S.E.B.I., Department of Economic Affairs.
- 3) To regulate non-banking finance companies institutions.
- 4) To function as Redressal Agency for solving grievances and complaints of investors such as:
 - a) Non-receipt of share or debenture certificate.

- b) Non-receipt of dividend/interest warrant.
- c) Non-receipt of fixed deposit receipt from company.
- d) Relating to refund of shares application money.
- e) Non-receipt of notice of general meeting, annual report, proxy form.

Q.4. WRITE NOTE ON COMPANY LAW BOARD.

Ans: MEANING: Company Law Board (CLB) was constituted on 1st February, 1964.

However with effect from 31st May, 1991 Company Law Board was constituted by the Central Government as an independent quasi-judicial body. Under Section 10 E of the Companies Act, 1956 it replaced the erst while (previous) Company Law Board which was mainly a delegate of the Central Government.

Company Law Board regulations 1991 have been framed in order to lay down procedure for filing of application/petition before the C.L.B. The Company Law Board is an affiliated office of the Ministry of Corporate Affairs.

Head of Company Law Board: One of the members of the Company Law Board to be appointed as chairman of the company law board.

Number of Members: Company Law Board shall consist of not more than 9 members according to the Companies (Amendment) Act 1974.

Functions of Company Law Board (prior to the Companies (second amendment) Act 2002):

1. To provide confirmation of alteration of memorandum
2. To consider failure to register
3. To invite deposits without issuing advertisement
4. To consider the issues relating to small depositors.
5. To sanction issue of shares at discount
6. Registration of alteration
7. Registration of irredeemable debenture
8. Appeal against refusal to register transfer
9. To inspect the trust deed copies
10. Change in board of directors likely to affect company, prejudicially (Sec 409).

Powers of Company Law Board: Every law board has following powers:

- a) Discovery and inspection of documents to be used as evidence.
- b) Ensuring attendance of witness.
- c) Impounding material or documents collected as evidence.
- d) Examining witness on oath.

- e) Granting adjournment.
- f) Receiving evidence in form of affidavits.

Dissolution: Under Section 10FA in and from the commencement of Companies (Second Amendment) Act, 2002. Company Law Board Constituted under Sec 10E(1) shall stand dissolved.

Q.5. WHAT DO YOU MEAN BY REGIONAL DIRECTORS (RD) & ITS ROLE?

Ans: MEANING: Minister of state for Corporate Affairs works through following six Regional Directors.

Regional Directors

Northern Region Noida (Uttar Pradesh)	Eastern Region Kolkata (West Bengal)	Southern Region Chennai (Tammilnadu)	Western Region Mumbai (Maharashtra)	North-West Region Ahmadabad (Gujarat)	North-East Region Kolkata (West Bengal)
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The Country has been divided into six zones for administrative purpose. Regional Directors is incharge of each zone. Each regional director has a regional office under his control. He is assisted by a senior officer of the Government along with qualified staff.

ROLE – The regional director plays the following roles:

1. To Supervise and control over the offices of Registrar of companies in the region.
2. To advise and guide the Registrars of Companies regarding administrative and technical matters.
3. To discharge the functions of public relations.
4. To maintain liaison with the Central Government and the State Government for administrative matters relating to Companies Act 1956.

FUNCTIONS: Regional director has to perform a number of functions.

1. He has to receive applications for rectification of name of the company.
2. Appointment and removal of auditors.
3. Alteration of Articles of Association.
4. Inspection of documents and issue of certified copies etc. The received applications are required to be cleaned by the regional director within the prescribed time limit.

Q.6. EXPLAIN REGISTRAR OF COMPANIES AND FUNCTIONS & POWERS OF THE REGISTRAR.

Ans: MEANING: Registrar of Companies is appointed in each State by the Central Government.

Under Sec 2(40) of the Companies Act, 1956, "Registrar" means a registrar, or an additional, a joint, a deputy or an assistant registrar, having the duty of registering companies under this Act.

From the above definition it is clear that the primary duty of the Registrar shall be registration of companies in his region under the provision of the Companies Act, 1956.

Registrar shall function under the supervision of the Regional Directors of the Ministry of Corporate Affairs. Registrar shall issue Certificate of Incorporation and/ or Certificate of Commencement of Business as the case may be. Salaries of the Registrar shall be fixed by the Central Government. Central Government may direct seal or seals to be prepared for authentication of documents required for or connected with registration of company. Record to be maintained in electronic form according to Companies (Amendment) Act, 2006 w.e.f. 16th September, 2006.

FUNCTIONS OF THE REGISTRAR:

1. To register the change in the registered office of the company.
2. To record alteration of Memorandum of Association of the company.
3. To record alteration if any of Article of Association of company.
4. To receive and record prospectus filed by the company.
5. To issue Incorporation Certificate.
6. To issue Certificate of Commencement of Business/ Trading Certificate.
7. To accept various types of returns filed by the company.
8. To receive communication as may be required to be received or recorded.
9. To inspect documents and record of company.

POWERS OF THE REGISTRAR:

1. To seek any information and explanation from the company.
2. To seize the documents, books, records and papers of company, if necessary.

3. To remove names of liquidate companies from the register of companies.
4. To serve notice to defaulting companies.
5. To refuse incorporation of a company.
6. To recommend winding up of a company.
7. To ensure that a company complies with the provision of filing of winding up order with the Registrar within 30 days.

Q.7. NOTE ON NATIONAL COMPANY LAW TRIBUNAL (NCLT).

Ans: constitution: Under Section 10FB of the Companies Act, 1956 the Central Government shall by notification in the official gazette, constitute a tribunal to be known as the National Company Law Tribunal (NCLT), to exercise and discharge such powers and functions as are, or may be, conferred on it by or under this Act or any other law, for the time being in force.

Composition: The Tribunal shall consist of:

1. President
2. Judicial members
3. Technical members

Number of members: Tribunal shall consist of President and such number of judicial and technical members not exceeding sixty two.

Status: Members shall enjoy status of public servant.

Term of offices: President and members shall have term of office of 3 years, shall be eligible for reappointment.

Maximum Age: President 67 years and Members 65 years.

Removal: 1) Moral turpitude 2) Insolvency 3) Physically or mentally incapable.

Benches: Principal bench to be in New Delhi to be prescribed by the President of NCLT.

Functions of National Company Law Tribunal:

The Tribunal shall have, for the purpose of discharging its functions under this Act, same powers as are vested in the civil court. Proceeding before tribunal deemed judicial proceeding under Sec 10FZ.

- a) Summoning and enforcing the attendance of any person and examining him on oath.

- b) Requiring the discovery and production of documents.
- c) Receiving evidence on affidavits.
- d) Requisitioning any public record or documents.
- e) Reviewing its decisions.

Q.8. NOTE ON NATIONAL COMPANY LAW APPELLATE TRIBUNAL (NCLAT).

Ans: A person aggrieved (disagree with the judgment) by an order or decision given by Tribunal may make an appeal to the Appellate Tribunal within 45 days. After hearing the parties to the appeal the Appellate Tribunal can pass its order by confirming or modifying the order appealed against.

Constitutions:

- 1) Chairman (who has judge of the Supreme Court or the Chief Justice of High Court).
- 2) Not more than 2 members to be appointed by the Central Government.

Tenure: The tenure of the chairperson and the member shall be 3 years at a time.

Powers: In case of certain matters, the Appellate tribunal shall have powers of Civil Court. Any person aggrieved by the decision or order by the Appellate Tribunal may file an appeal to the Supreme Court within 60 days.

Q.9. EXPLAIN THE OFFICIAL LIQUIDATOR AND HIS POWERS & FUNCTIONS.

Ans: The official liquidators are appointed by the Central Government as per the tribunal provisions of Sec 448 of the Companies (Second Amendment) Act, 2002.

Powers of Liquidator: On winding up of a company by the Tribunal, the liquidator shall have the following powers with the sanction of the tribunal:

1. To institute or defend any suit or legal proceedings on behalf of the company.
2. To carry business of the company for beneficial winding up of the company.
3. To sell immovable and movable property and actionable claim of the company.
4. To sell whole of the company as a going concern.
5. To raise money on security of assets of company.
6. To execute deeds and to use company seal.
7. To inspect records and returns filed with the Registrar.
8. To make arrangement to protect property in his custody.
9. To give advertisements to invite bids for sale of assets.
10. To summon meetings of creditors or contributories.

Functions of liquidator:

1. To maintain proper books and records.
2. To secure possession of assets of the company.
3. To make inventory of assets of the company.
4. To make payment to the creditors according to the prescribed order of settlement of claims.
5. To conduct work according to the directions of the tribunal order of decision.
6. To submit final dissolution report.
7. To distribute residuary amount among the members on settlement of claims.
- 8.

Q.10. NOTE ON ADVISORY COMMITTEE.

Ans: Advisory committee was substituted for Advisory Commission vide (Amendment) Act, 1965 Sections 411 to 415.

The Advisory committee appointed was for the purpose of advising the Central Government and Company Law Board (Tribunal) on matters arising out of the administration of the Companies Act. Advisory committee shall consist of not more than 5 persons with suitable qualification. On careful perusal of the aforesaid provisions it will be noticed that the Central Government is not bound to constitute an advisory committee. Moreover the advice given by the advisory committee is not binding on the Central Government or the Tribunal.

Q.11. NOTE ON JURISDICTION OF COURT:

Ans: As per Sec 10 of Companies Act 1956 – the court having jurisdiction under this Act shall be:

- a) The high court having jurisdiction in relation to place at which the registered office of the company concerned is situated.
- b) Where jurisdiction has been conferred on the district court's sub-ordinate the district court in regard to matter falling within the scope of the jurisdiction conferred, in respect of companies having their registered office in the district.

OBJECTIVES**Q.1. SELECT THE CORRECT ANSWER FROM THE POSSIBLE CHOICES GIVEN BELOW AND REWRITE THE STATEMENT.**

1. The supreme authority responsible for administration of Companies Act in India is **(Ministry of corporate affairs)**
2. The company law board consists of not more than members. **(Nine)**
3. Advisory Committee shall consist of not more than members. **(Five)**
4. The working of registrar of companies of a region is supervised by **(Regional Director)**
5. Registrar of Companies is appointed by **(Central Government through tribunal)**
6. Ministry of corporate affairs has appointed regional directors. **(Six)**
7. The number of members in national company law tribunal shall not exceed **(Sixty two)**
8. Maximum age for members of national company law tribunal is years. **(Sixty five)**
9. Maximum age for members of national company law tribunal is years. **(Sixty seven)**
10. To complete winding up procedure of a company is appointed. **(Official liquidator)**

Q.2) MATCH THE PAIRS.

Group A	Group B
a) Registrar of Companies b) Advisory Committee c) Company Law Board d) Number of Regional Directors e) Official Liquidator	1) Six 2) Disposal of assets of company 3) Five members 4) Purchase of assets of company 5) Nine member 6) Trading Certificate 7) Seven Certificate 8) Eight 9) Four members 10) Head of companies

Ans: (a - 6, b - 3, c - 5, d - 1, e - 2)

Q.3) WRITE A WORD OR A TERM OR A PHRASE WHICH CAN SUBSTITUTE EACH OF THE FOLLOWING STATEMENT.

1. Ministry responsible for administration of Companies Act 1956. - **Ministry corporate Affairs**
2. Name the head of National Company Law Tribunal. - **President**
3. Name the head of company law Board. - **(one of the member of CLB) Chairman**

4. Name the head of department appointed by Central Government for each region. – **Regional director.**
5. The person or authority who is responsible for disposing company assets to repay creditors. – **Official liquidator**
6. The authority that has right to issue incorporation certificate to the company. – **Registrar of companies.**
7. Name the supervising authority under which the Registrar of Companies in a region works. – **Regional director of the ministry corporate affairs**
8. Committee which provides advice to the Central Government and national company law tribunal. – **Advisory committee**

CHAPTER 7. STRUCTURAL ORGAINISATION OF A JOINT STOCK COMPANY

Q.1 EXPLAINS THE ORGANIZATION STRUCTURE OF JOINT STOCK COMPANY.

Ans: **Shareholders** are the owners of the company. Shareholders during the Annual General Meeting elect the director to act as their representative & to manage the business affairs. These Directors are collectively known as '**Board of Directors**'. They are the agent, trustee of the shareholders.

To execute the policies & to look after the day to day affairs of the company the Board of Directors appoint the **Managing Director**.

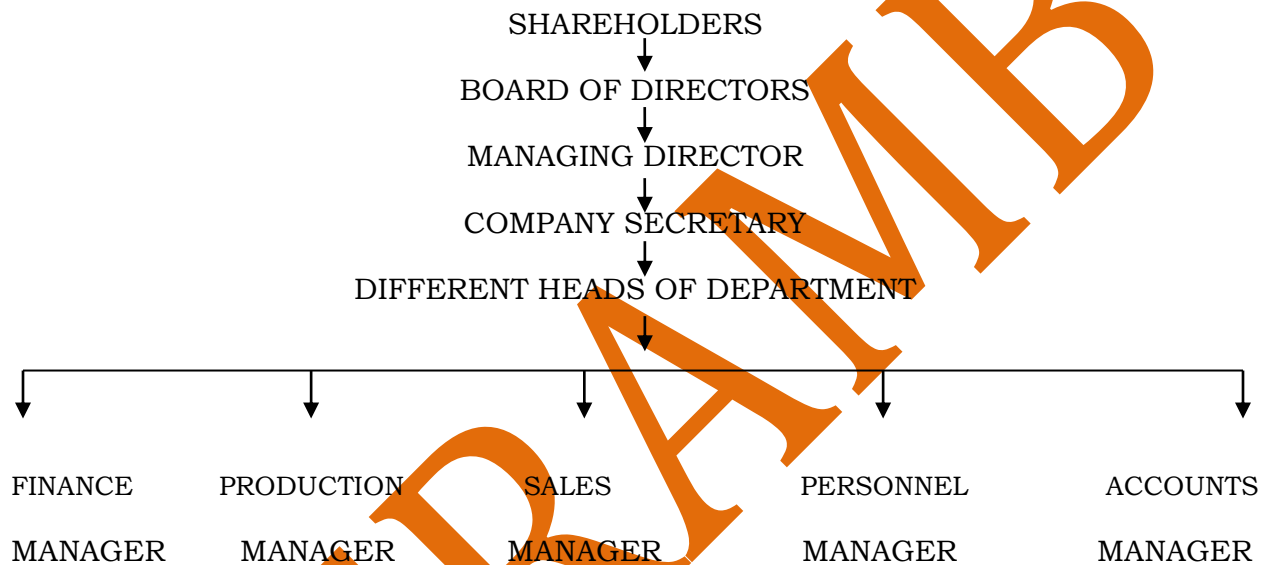
A **Company Secretary** is appointed by the Board of Directors in board meeting by passing resolution. He acts as a chief executive officer of the company. He has to carry out the institution and orders of the Board of Directors. He has to carry out the instruction and orders of the Board of Directors. He had to perform administrative, ministerial & statutory duties under the Act.

The **auditor** is appointed by the shareholder of the company in the Annual General Meeting. His duty is to examine financial affairs of the company and at the end of the financial year submit Auditor's Report to the shareholders.

There are various **heads of department** i.e. finance manager, production manager, sales manager & so on.

Organization Structure of Joint Stock Company:

The structure of a Joint stock company is as follows:



Q.2. EXPLAIN THE TERM 'SHAREHOLDER' AND 'MEMBER'.

Ans: SHAREHOLDER: Shareholders are the persons who purchase shares of the company. Shareholders are part owners of the company. Being the owners, they have the powers of controlling the company. But because shareholders are large in number and widely scattered, they cannot control the company and therefore they appoint Board of Directors to control and to look after day to day working of the company. Directors are representative of shareholders and controllers of the company. The liability of shareholders is limited up to the extent of face value of the shares purchased by him. The shareholders are entitled to get the income out of the profits of the company called "Dividend", as a return on their investment.

MEMBER: As per Section 41 of the Companies Act, a person who has signed Memorandum of Association and every other person who agrees in writing to become a member of a company and whose name is entered in the register of members shall be a member of the company.

As per Section 11 of Indian Contract Act, 1872, Any person who is competent to enter into a contract can become a member of a company by purchasing shares.”

Following points make clear the concept about membership.

- 1) **Minor:** A minor cannot enter into contract. Therefore he cannot be member of the company. But the guardian can hold the shares in a company in the name of minor. Thus minor can become a member, but he incurs no liability during his minority.
- 2) **Company:** A company cannot acquire its own shares. A company can be member of another company if it is authorized by its Memorandum of Association of Articles of Association.
- 3) **Partnership:** A firm can hold shares in a company in the individual; names of partners, but not in its own name. Firm is not a legal person having separate entity.
- 4) **Trust:** A trust cannot hold shares in a company.
- 5) **Society:** A Registered society can be a member of a company, by holding shares, if authorized by the Memorandum of Association and Articles of Association.
- 6) **H.U.F.:** Karta of H.U.F. can become member of a company by purchasing shares on behalf of the family.
- 7) **Foreigner:** If company offers shares to foreigners, a foreigner can become a member and his name will be entered in the foreign Register of members.

Q.3. EXPLAIN THE METHODS FOR ACQUIRING MEMBERSHIP IN A COMPANY.

Ans: Person can acquire membership in any of the following:

- 1) **By Subscription:** The person who subscribe to the Memorandum of Association shall be deemed to have agreed to become the members of the company and on its registration shall be entered as members in the Register of Members.
- 2) **By Application and Allotment:** A person, who applies for the shares of the company through public issues, is allotted shares by the Board of Directors and the same is communicated through the Letter of Allotment. After making the payment of allotment money, the name of that person will appear in the Register of Members.

- 3) **By agreeing to purchase Qualification Shares:** A person who is to be appointed as a director of the company has to take and pay for the qualification shares. In such as case, the director becomes the member when he takes or agrees to take the qualification shares.
- 4) **By Transfer of Shares:** A person can become a member of the company by purchasing the shares from an existing shareholder of the company. The transfer must be made according to the procedures laid down by the Articles of the company and the name must be entered in the Register of Members.
- 5) **By Transmission of Shares:** A person can become a member by virtue of transmission of shares. In case of death, insolvency or lunacy of a shareholder, his legal heir, or successor automatically becomes a member of the company.
- 6) **By conversion of Share Warrant into Share Certificate:** A person can become a member if he surrenders his warrant and gets it converted into share certificate and also gets his name entered in the Register of Members.
- 7) **By allotment of Shares for consideration other than cash:** A person can become a member by accepting fully paid or partly paid shares as a consideration for the services rendered by him to the company. His name must be entered in the Register of Members.
- 8) **By the principle of Estoppel:** A person can become a member by the 'Principle of Estoppel' i.e. his name appears in the Register of Members even after disposal of his shares, and he exercises all membership rights i.e. attends meetings, accepting dividends and does not take any step to remove his name from the Register of Members. Such a person is responsible for the liabilities of membership.

Q.4. EXPLAIN THE RIGHTS OF MEMBER/SHAREHOLDERS.

Ans: MEANING OF SHAREHOLDERS: Shareholders are the persons who purchase shares of the company. Shareholders are part owners of the company. Being the owners, they have the powers of controlling the company. But because shareholders are large in number and widely scattered, they cannot control the company and therefore they appoint Board of Directors to control and to look after day to day working of the company. Directors are representatives of shareholders and controllers of the company. The liability of shareholder is limited up to the extent of face value of the shares purchased by him. The shareholders are entitled to get income out of the profits of the company called "Dividend", as a return on their investment.

RIGHTS OF MEMBERS:

The rights of member may be classified into two board categories.

- A) Individual/Personal Rights.
- B) Group/Collective Rights.

A) Individual Rights:

Right to:

- 1) Receive notices of company meetings.
- 2) Right to attend meetings, vote and pass resolutions.
- 3) Appoint proxy and exercise their voting rights through proxy.
- 4) Receive share certificates within the prescribed time limit.
- 5) Receive annual reports, auditors reports, statutory reports, and annual accounts etc. on his registered address.
- 6) Transfer the shares as per the provisions of the Articles of Association.
- 7) To receive dividend
- 8) To receive bonus shares
- 9) To inspect the statutory books of the company free of charge at the registered office and also take extracts from these books.
- 10) To obtain copies of memorandum of Association and Articles of association on request and payment of the prescribed fees.
- 11) Share in the surplus assets of the company at the time of winding up of the company.

B) Collective Rights: These rights are exercise collectively by the shareholders

Rights to:

- 1) Appoint or remove the directors of the company.
- 2) Appoint/re-appoint the auditor of the company.
- 3) Alter, change or modifies the Memorandum of Association and Article of Association.
- 4) Convene an extra-ordinary general meeting to discuss certain important and urgent matters.
- 5) Approve reconstruction, amalgamation schemes of the company.
- 6) Approve alteration, reduction and re-organization of the capital.
- 7) To appoint sole selling agents.

Q.5. EXPLAIN THE TERMINATION OF MEMBERSHIP.

Ans:

- 1) **Transfer:** If the shareholder transfer his shares through the instrument of transfer or by way of gift and the transfer is duly registered in the name of the other person in the books of the company.

- 2) **Transmission:** When the shareholder dies, or becomes lunatic or insolvent the shares are transmitted to his legal representative.
- 3) **Surrender:** At times, the member may surrender his shares, where such surrender is permitted by the Articles. On surrender of shares, the shareholder ceases to be a member of the company.
- 4) **Issue of share warrant:** The share certificate is converted into share warrant, if permitted by the Articles of Association.
- 5) **Redemption of Preference Shares:** When the redeemable preference shares are redeemed, then the name is removed from the Register of Members.
- 6) **Right of lien by the Company:** When the company dispose of the shares by giving a 14 days' notice to the debtor members in discharge of his debt to the company.
- 7) **Liquidation of the Company:** On winding up of the company all the members lose their membership rights in the company.

Q.6. WRITE A DETAIL NOTE ON BOARD OF DIRECTORS.

Ans: MEANING: Shareholders are owners of the company. Being the owners they have the power of controlling the company. But because shareholders are large in number and widely scattered, they cannot control the company and therefore they appoint the directors to control and to look after day to day working of the company. Directors are representatives of shareholders and controllers of the company.

DEFINITION: Section 2(13) of the Companies Act 1956 defines a director as “any person occupying the position of a director by whatever name called”.

The directors are the representatives of the shareholders. They frame policies of the company and direct, control and manage the affairs of the company. The Board is the supreme policy framing authority of the company.

QUALIFICATION OF DIRECTORS: If the Articles of the company prescribe for such qualification shares to make a person eligible to be a director Section 270 provides that:

- a) Every director must take his qualification shares within two months after his appointment.
- b) The nominal value of one share should not exceed Rs. 5,000/-.

- c) Share warrant should not be counted for the purpose of qualification shares.

DISQUALIFICATION OF DIRECTORS (SEC. 276): The following person will be disqualified for the appointment as director of a company.

- 1) A person of unsound mind.
- 2) A person who is declared insolvent.
- 3) A person who has been convicted by the court and sentenced thereof to imprisonment for a period of more than six months.
- 4) A person who has been disqualified by a court in pursuance of Section 203.

NUMBER OF DIRECTORS: Section 252 of the Companies Act states that every public company must have at least (minimum) three directors and every private company must have at least (minimum) two directors. There is no limit on the maximum number of directors a company can have.

APPOINTMENT OF DIRECTORS:

- A) Appointment of First Directors (by Promoters)
- B) Subsequent Directors (by shareholders in AGM)
- C) Appointment of Directors by Board:
 - 1) Additional Directors
 - 2) Casual vacancies (Sec. 262)
 - 3) Alternative Director (Sec. 313)
 - 4) Appointment of Directors by Central Government (Sec. 408)

POWERS OF DIRECTORS: Sec. 291 of the Companies Act 1956 provides for general powers of the Board of Directors. The Board is entitled to exercise all such powers subject to the provisions of the Companies Act.

Sec. 292 (1) of the Companies Act 1956 provides that the Board of Directors of a company shall exercise the following powers on behalf of the company and shall do so by passing a resolution at the Board Meeting.

- 1) The power to issue debentures.
- 2) The power to borrow money other than on debentures.
- 3) The power to invest funds of the company.
- 4) The power to make loans.

Certain powers which can be exercised only at the Board Meeting:

- a) The power to fill casual vacancies in the Board.
- b) To sanction a contract in which a director is interested.
- c) To recommend the rate of dividend to be declared by the company at the Annual General Meeting subject to approval by the shareholders.

- d) The power to make political contributions.
- e) The power to appoint a person as Managing Director or Manager who is holding either office in another company.
- f) The power to give loan or invest in any shares of any other body corporate.

DUTIES OF DIRECTOR: The duties of the directors are classified into two categories:

A) Statutory Duties:

- 1) To file returns of allotment with the Registrar within a period of thirty days. Failure to perform this duty they will be subject to a fine upto Rs. 5,000/- per day till the default continue (Sec. 75)
- 2) According to Sec 80 the directors should not issue irredeemable preference shares or shares redeemable after 20 years. If they do so they will be subject to a fine of Rs. 10,000/-.
- 3) (Sec. 299) To disclose interest if the director is directly or indirectly concerned or interested in a contract of the company. He should disclose the nature of interest at the Board Meeting.
- 4) To convene the statutory and extraordinary General Meeting.
- 5) To prepare and place before the Annual General Meeting the balance sheet and Profit and Loss Account including the report of the Board of directors.
- 6) To authenticate and approve the financial statements.
- 7) To appoint first auditor first auditor or auditors of a company within one month of the date of registration of the company.
- 8) To appoint the chief auditor with the approval of the Central Government.
- 9) To make a declaration of solvency in case of a member's proposal to wind-up voluntarily.

B) General Duties:

- 1) They have to act in good faith s as protect the interest of the present and future members of the company.
- 2) The directors must take reasonable care and exercise such degree of skill and diligence as id reasonably expected of persons of their knowledge and skill.
- 3) A director is an agent of the company and so he cannot further delegate his authority to someone else.

REMUNERATION: The remuneration of the directors is decided in the Company's Articles of Association or by the resolution passed in a general meeting of the company. A director may be paid a specified amount of fees for attending meetings. Apart from this he may be given a commission of 1% of the net profit of the current

year. The total remuneration of all directors, managing directors and manager should not exceed 11% of the net profit of the current year.

REAPPOINTMENT OF DIRECTORS: In case of a public company or a private company which is subsidiary of a public company 2/3rd of the total number of directors must retire by rotation and 1/3rd of the total number of directors may be appointed as permanent directors. The directors retiring by rotation are eligible for re-election at Annual General Meeting.

Q.7. WRITE A DETAIL NOTE ON MANAGING DIRECTORS.

Ans: MEANING: A Managing Director is appointed by the Board of Directors amongst themselves. He is representative of directors. He act under the supervision and control of board of directors. A Managing Director is known as whole time director.

DEFINITION: Sec. 2(26) "Managing Director means a director who by virtue of an agreement with the company or of a resolution passed by the company, in the general meeting or by its Board of Directors or by virtue of Memorandum or Articles of Association, is entrusted with substantial powers of management which would not be otherwise be exercisable by him, and includes a director occupying the position of Managing Director by whatever name called".

QUALIFICATIONS:

- a) He must be a director of the company.
- b) He should be a major i.e. completed 18 years of his age.

DISQUALIFICATIONS:

- a) A person who has been at any time adjudged an insolvent by the court of law.
- b) A person who suspends or has at any time suspended payments to his creditors or make or has at any time made a composition with them.
- c) A person who is, or has at any time been convicted by a court of an officer involving moral turpitude.

POWERS: The Managing Director has to work in two different capacities i.e. as a director and a manager. The important powers are as follows:

- 1) To attend all boards meetings and to participate like any other director.
- 2) To enter into contracts on behalf of the company.
- 3) To participate in policy making as well as policy execution.
- 4) To direct, control and supervise the work of the executives.
- 5) To select and recruit the employees of the company.
- 6) To invest the funds of the company.

DUTIES: The Managing Director has to perform various duties under the supervision and control of the Board of Directors. The duties are as follows:

- a) To execute the policies framed by the Board of Director.
- b) To supply any information required by the directors on various matters and help them to framed suitable policies.
- c) To sign all contracts and documents on behalf of the company.
- d) To guide and help the Departmental heads in their administrative work.
- e) To get approval from the Board for the independent decision taken by him.
- f) To control and supervise the affairs of the company.

REMUNERATION: The Remuneration of the Managing Director should not exceed 5% of the net profits without the sanction of the Central Government. In case of more than one Managing Director, the total remuneration payable to all of them must not exceed 10% of the net profirs without the sanction of the Central Government.

Q.8. WRITE A DETAIL NOTE ON AUDITOR.

Ans: MEANING: A person having the required qualification as per the Companies Act and who undertake the inspection of such Books of Accounts and financial transactions of the company according to the rules and provision of the Companies Act and to submit the report thereof to the shareholders is an auditor.

QUALIFICATIONS OF AN AUDITOR:

- 1) According to Sec. 226(1) he must be a Chartered Accountant.
- 2) A firm where of all partners are practicing in India are qualified and may be appointed by the firm's name as an auditor of the company.

DISQUALIFICATIONS OF AN AUDITOR: The Act provides that the following persons are ***not qualified for appointment as auditor*** of the company:

- 1) A body corporate.
- 2) An officer or an employee of the company.
- 3) A person who is a partner or is an officer or employee of the company.
- 4) A person who is indebted to the company for an amount more than Rs. 1,000/-.
- 5) A person who is disqualified for appointment as auditor of the companies subsidiary or holding company.

POWERS/RIGHTS OF A AUDITOR: The Companies Act 1956 has given certain rights and powers to the auditors and they are as follows:

- 1) To have access at all times to the Books of Accounts, vouchers, documents, etc. whether kept at the head office or elsewhere.

- 2) To demand information or explanation required for the audit purposed from any director or any officer of the company.
- 3) To receive all notices and other communications relating to all the general meetings of the company.
- 4) To visit branch office.
- 5) To prepare and submit the audit report to the shareholders.
- 6) To receive remuneration.

DUTIES OF THE AUDITOR: The auditor has to perform the following duties:

- a) He has to examine the original books of account maintained by the company and to find out any irregularities, omission and inaccuracy if any in the accounts of the company.
- b) He has to prepare submit report known as 'Auditor's Report' to the shareholders of the company based on the audit conducted by him.
- c) He has to enquire:
 1. Whether the loans given by the company are advanced against sufficient security.
 2. Whether loans and advances made have been shown as deposits.
 3. To check whether the personal expenses have been charged to revenue account.
 4. To check whether cash has actually been received in respect of any shares shown in the books have been allotted for cash.

REMUNERATION: In case the auditor is appointed by the b)Board of Directors or Central Government his remuneration may be fixed by the Board or Central Government as the case may be. In all other cases it must be fixed by the company in the general meeting.

However an auditor may receive separate remuneration for services rendered other than the audit works e.g. advice on taxation matters, writing of the accounts etc.

Q.9. WRITE A DETAIL NOTES ON COMPANY SECRETARY.

Ans: DEFINITION & MEANING: Sec. 2(45) of the Companies Act defines a secretary as follows: "Secretary means an individual possessing the prescribe qualifications and appointed to perform the duties which may be performed by a secretary under this Act and any other ministerial or administrative duties".

This definition highlights three important features of the company secretary.

- 1) Only an individual can be appointed as a secretary of a company.

- 2) He must have the prescribed qualification i.e. a membership of the Institute of Company Secretaries of India.
- 3) He has to perform all statutory duties under the Companies Act including any other ministerial or administrative duties.

APPOINTMENT OF COMPANY SECRETARY: The first secretary of a company is appointed by the promoters of the company. Such a secretary is called as “Protem Secretary”. This secretary helps the promoters in the formation and registration of the company. The formal appointment is done by the Board of Directors by passing a board resolution to that effect.

RIGHTS: The following are the rights of the secretary:

- 1) He has the right to control and supervise the working of the department that comes under his jurisdiction.
- 2) As an important officer of the company he has the right to sign a document or proceeding requiring authentication of the company.
- 3) The company can indemnify him for any loss suffered by him while discharging his duties.
- 4) He has the right to receive remuneration.
- 5) At the time of winding up he has a right to be treated as preferential creditors for his salary subject to a maximum of Rs. 1,000/-.

DUTIES: The secretary plays a threefold role as statutory officer, as a co-ordinator and as an administrative officer.

A) Statutory Duties:

1. To sign documents and proceeding requiring authentication.
2. To verify the annual accounts of the company and deliver the same to the Registrar for filing.
3. To file various return under the Companies Act with the Registrar of Companies.
4. To issue share certificate, debenture certificate etc.
5. To maintain various statutory registers e.g. minutes book, register of members etc.
6. To send notice for convening meetings.

B) Co-ordinator:

1. He has to inform the Board about the progress of the company.
2. The secretary has to give advice on manpower planning and recruitment policy of the company.
3. He has to see that the share and debenture certificates are issued within the prescribed time limit.
4. He should advice the board about the changing policies of the Government.

5. He has to ensure that all provisions of the Companies Act and other laws are complied with.

C) Administrative Officers:

1. He has to supervise, control and co-ordinate the functioning of various department of the company.
2. He has to see that the company assets and properties are not misused.
3. He has to see that the records etc. are maintained properly.

REMUNERATION: The Companies Act does not have any provisions as to the remuneration. The remuneration of the company secretary is fixed by the company in the contract which the company enters with him.

Q.10. DISTINGUISH BETWEEN.

1. Director And Managing Director

Points	Director	Managing Director
1. Meaning	The elected representatives of the shareholders are called as Directors.	The representative of the Board of Directors to look after the routine day-to-day management of the company is called Managing Director.
2. Appointment	Directors are usually elected by shareholder in the Annual General Meeting.	A managing director is appointed by the Board of Director.
3. Number of Companies	A person can act as a Director of not more than 15 companies.	A person can act as a Managing Director of not more than two Companies at the same time.
4. Approval of Central Government	Approval of Central Government is not necessary for appointment of Director.	Approval of Central Government is necessary for appointment of Managing Director.
5. Tenure	Director are elected for 3	Managing Director is

	years.	appointed for 5 years at a time.
6. Remuneration	The remuneration paid to the director is known as honorarium.	Monthly salary is paid as remuneration to the Managing Director.

2. Auditor and Company Secretary.

Points	Auditor	Company Secretary
1. Meaning	A person who carries out audit work of a company is known as Auditor.	A person who performs statutory, ministerial and administrative duties is known as Company Secretary.
2. Appointment	He is appointed by the shareholder at the Annual General Meeting.	He is appointed by the Board of Directors in the Board Meeting.
3. Qualification	An auditor must be an Chartered Accountant.	The company secretary must be a member of the Institute of Company Secretaries of India.
4. Tenure	An auditor is appointed only for one year.	A company secretary is appointed for any period as per the agreement between the company and the Company Secretary.
5. Remuneration	He is paid consolidated fees after the completion of his Audit work.	The company secretary is paid a monthly salary as he is an employee of the company.
6. Function	The main function of an auditor is to audit the accounts of the company and prepare an auditor's report.	The function of company secretary are correspondence, administration and legal work according to the Companies Act 1956.

3. Auditors and Accountant

Points	Auditors	Accountant
1. Appointment	He is appointed by the Shareholders in Annual General Meeting.	An accountant is appointed by the Board through an advertisement and interview.
2. Period of Appointment	He is always appointed for one year.	He is appointed on probation and then made permanent.
3. Status	He is not an employee of the company. He is representative of shareholders.	He is an employee of the company.
4. Remuneration	He is paid professional fees for his services.	He is paid regular monthly salary for his services.
5. Basic Qualification	He must be a Chartered Accountant.	He need through knowledge of Accountancy.
6. Main Functions	To inspect the accounts and submit audit report to shareholders.	To lead the A/c's department and maintain all books of A/c's properly.

4. Management and Ownership

Points	Management (Board of Directors)	Ownership (Shareholders)
1. Meaning	It includes all managers/directors of the company.	It refers to shareholders who have contributed to the share capital of the company.
2. Contribution	They purchase qualification shares and provide expert service in managing the organization.	They contribute money or money's worth towards the share capital of the company.
3. Remuneration	According to Companies Act managerial remuneration should not exceed 11% of the net	The shareholder receive dividend for contribution towards share capital of the

	profits of the company in case of public company.	company.
4. Status	Directors enjoy the position as trustee, agents, managing partners, employees, etc.	The shareholders enjoy the status of owners of the company.
5. Number of Directors	For private company minimum two directors and for public company minimum 3 directors. Articles may fix the maximum number.	For private company minimum two members and for Public company minimum 7 members. No limit for maximum limit.

OBJECTIVES

Q.1. SELECT THE CORRECT ANSWER FROM THE POSSIBLE CHOICES GIVEN BELOW AND REWRITE THE STATEMENT.

- 1) A person who purchases shares of the company is called **(Shareholder)**
- 2) In a public company there should be at least directors. **(Three)**
- 3) The principal authority in a company organization is **(Board of Directors)**
- 4) The nominal value of qualification share of directors must not exceed Rs. **(5000)**
- 5) The maximum term at a time for appointment of a Managing Directors is years. **(Five)**
- 6) An auditor is appointed for a period of **(1year)**

Q.2. A) MATCH THE PAIRS.

Group A	Group B
a) Board of directors b) Company Secretary c) Managing Director d) Auditor e) Private company	1. At least 2 Directors 2. Should not exceed Rs. 5,000/- 3. At least 3 Directors 4. Elected representatives 5. Employee of the company 6. Shareholders of the company 7. A practicing chartered accountant 8. Elected for 3 years 9. Appointed for 5 years

Ans: (a - 4, b - 5, c - 9, d - 7, e - 1)

B) MATCH THE PAIRS.

Group A	Group B
a) Retirement of Directors b) Qualification shares c) Public Company d) Auditors e) Alternate Directors	1. Company secretary 2. Chartered accountant 3. 1/3 retire by rotation 4. Directors 5. Atleast 3 Directors 6. Absence of a Director 7. Atleast 7 Directors

Ans: (a - 3, b - 4, c - 5, d - 2, e - 6)

Q.3. WRITE A WORD OR A TERM OR A PHRASE WHICH CAN SUBSTITUTE EACH OTHER OF THE FOLLOWING STATEMENT.

1. A form of organization where there is a separation of ownership from management. – **Joint Stock Company.**
2. A body of elected representatives of shareholder of a company. – **Board of Directors**
3. The share which a director must buy as condition for his directorship. – **Qualification shares.**
4. A person who is qualified to carry out audit work of a company. – **Auditor**
5. The meeting in which directors and auditors are appointed. – **Annual General Meeting.**
6. The officer who plays an important role as an statutory officer, co – ordinator and administrative officer of a company. – **Company Secretary.**

CHAPTER 8. COMPANY MEETINGS I

Q.1. DEFINE TERM COMPANY MEETING AND ITS NEED/PURPOSE.

Ans: DEFINITION OF MEETING: The term meeting is derived from Latin word 'maeta.' Maeta means 'Face to face'. In shorter Oxford dictionary the term 'Meeting' is defined as "An assembly of number of people for entertainment discussion or the like".

According to Webster's dictionary "Meeting is an act of coming together to discuss any particular matter".

DEFINITION OF COMPANY MEETING:

According to Shaw and Smith "A company meeting is an assembly of two or more persons connected with the company who have gathered for the purpose of discussing matters related to it".

In a company, a meeting is an official gathering of shareholders, directors & creditors of company. Company meeting take place as per notice and conduct business as per the agenda.

PURPOSE/NEED OF MEETING: Meetings are essential:

- 1) To determine policies and programmes.
- 2) To prepare future plans.
- 3) To provide opportunity to members to come together and discuss about working of the company.
- 4) To discuss the problems faced by organization and to find solutions.
- 5) To take action against members in default.
- 6) To declare dividend.
- 7) To appoint directors and auditors.
- 8) To review the progress made by company.
- 9) To comply with the statutory requirements.
- 10) To study and give approval to Annual Report, Statement of Accounts, Auditors' Report and other reports.

Q.2. EXPLAIN THE ESSENTIALS OF VALID MEETING. OR

EXPLAIN PROVISION FOR CONVENING & CONDUCTING VALID MEETING.

Ans: A meeting is said to be valid only when it is properly convened, properly constituted and properly conducted according to the rules and regulations laid down by the act and otherwise the Meeting will be invalid.

- 1) **PROPERLY CONVENED (CALLED):** Meeting must be properly convened it means the meeting must be called by the proper authority and the proper Notice of the meeting along with Agenda must sent to every member. The notice should clearly state the type of meeting and the day, date, time & place of meeting. All members who are entitled to attend the Meeting must get 21 days clear notice. i.e. atleast 21 days before the meeting.
- 2) **PROPERLY CONSTITUTED (CONTROLLED):** It means the meeting must be prescribed over and controlled by chairman. The Chairman must see that the Quorum (Minimum No. of Members) is present before the meeting starts. The quorum is fixed by the Companies Act. If the Quorum is not present before the meeting then the meeting stands adjourned and otherwise decisions taken during the meeting will be invalid. Therefore to make a meeting legally valid it should be duly constituted. i.e. Proper person in the chair and also quorum must be there at every meeting.
- 3) **PROPERLY CONDUCTED (HELD):** To ascertain the sense of meeting it is the duty and responsibility of the Chairman and secretary to see that meeting is held as per the rules and regulations given in the articles of association and according to Companies Act. To make a meeting properly conducted, meeting should be properly convened and properly constituted.

Q.3. EXPLAIN THE ESSENTIALS OF VALID MEETING OR EXPLAIN PROVISIONS FOR CONVENING & CONDUCTING VALID MEETING.

Ans:

A) PROPER CONVENING OF MEETING:

- 1) **Proper Authority:** A meeting must be convened by authority ie board of directors and chairman. The Board should pass a resolution for delegating this authority to the secretary. Sometimes the proper authority is shareholders of the company or National Company Law Tribunal or the Central Government.
- 2) **Notice:**

a) Meaning: Notice is an advance intimation given by company information the day, date, time and place of meeting and business to be transacted at meeting. It is given in writing. It is given to all those who are entitled to receive it.

b) Proper authority to send notice: The notice should be given by proper authority i.e. Board of directors. Under exceptional circumstances, a shareholder, National Company Law Tribunal or Central Government is the proper authority to send notice.

c) Contents of notice: Every notice shall contain the nature and type of meeting, exact day, date, time and place of meeting, agenda of meeting, Statutory note and explanation, if any special business is to be transacted.

e) Period of notice: Notice must be sent in advance i.e. at least 21 days before the meeting.

f) Mode of serving notice: Notice must be sent either personally or by ordinary post at the registered address of the member in India only. Notice can also be advertised in a leading newspaper in the area, where the registered office of the company is situated.

3) **Agenda:** Agenda means a list of items to be transacted at the meeting. Agenda is prepared by the secretary in consultation with the chairman. Agenda is sent along with the notice of the meeting.

Purpose of Agenda: Agenda is the guidance to the chairman of meeting. The chairman can take the items on agenda one by one for discussion.

B) PROPER CONSTITUTION OF MEETING:

4) **Quorum:** Quorum is the minimum number of member required to be represent at a meeting for transacting a valid business. Without quorum proceeding of the meeting become invalid. Quorum must be present only at the beginning of the meeting but throughout the meeting.

Quorum for the general meeting is two members personally present in case of private company (Sec 174). And five members personally present in case of public company (Sec 174). Proxies are not counted in quorum.

Quorum for Board Meeting: A quorum for board for meeting is 1/3 of the total number of directors or two directors whichever is higher.

Important points regarding Quorum: At any time during the meeting, if there is absence of quorum the chairman after verification adjourns the meeting to the next week on the same day, time and place. If that day is a public holiday, the meeting will be held on the next day.

If there is no quorum at the beginning of the meeting, the chairman has to wait for half an hour. If within half an hour the quorum is not present, the meeting will be held on same day, time and place in next week. If that day is public holiday, the meeting will be held on next day.

If at the adjourned meeting also quorum is not present within half an hour of the scheduled time, whosoever the members present shall be considered as quorum.

- 5) **Chairman:** There should be a proper person in the chair i.e. chairman. A chairman is a person who presides over the meeting. If he is not present within fifteen minutes of the scheduled time of meeting the directors present shall elect one amongst themselves to be the chairman of the meeting. If no director is willing to act as a chairman, the members present may elect one among themselves to be the chairman of the meeting. A meeting will not be valid without a proper person in the chair.

Powers of Chairman:

1. To maintain order at meeting.
2. To decide priority of speakers.
3. To adjourn the meeting.
4. To ascertain the sense of the meeting and declare the result of voting.
5. To sign the minutes of the meeting.
6. To exercise casting vote.

Casting Vote: The chairman can exercise casting vote if there is a tie. Tie means the vote casts in favour of the proposal and against the proposal are equal. The chairman can exercise casting vote to break the tie. The chairman can give casting vote only if it is provided in the Articles of Association.

Duties of Chairman:

1. To see that meeting is duly convened and properly constituted.
2. To see that the meeting is held according to the rules.
3. To see that every member gets fair chance to express his views.
4. To maintain overall discipline at the meeting.

C) PROPER CONDUCT OF MEETING:

6) **Proxy:** When the member is not in a position to attend the meeting personally, he can appoint his representative. The representative of an absent member is called proxy. Proxy can attend and vote on behalf of absent member.

Legal provisions regarding appointment of proxy:

1. Proxy need not be a member of the company.
2. The duly completed proxy having share capital has a statutory right to appoint proxy.
3. Proxy cannot be appointed for a Board Meeting.
4. A minor cannot be appointed as proxy.

Legal provisions regarding rights of proxy:

1. A proxy is not allowed to speak at the meeting.
2. Proxy cannot vote except on a poll.
3. Proxy cannot demand a poll.
4. Proxy has no right to inspect proxy from or minute book.
5. When the shareholder himself attends the meeting, the appointment of proxy is automatically cancelled.
6. The appointment of proxy is valid for an adjourned meeting.

Types of Proxies:

- a. General Proxy: General proxy is authorized to vote on all motions at the meeting.
- b. Special Proxy: Special proxy is authorized to vote only on a particular motion.

7. Motion:

Meaning: Motion is a proposal put before the meeting for discussion and decision. A motion can be moved by a member present in a meeting. A person who moves the motion is called mover of the motion.

Essential of Motion:

- a. A motion must be in writing.
- b. It should be signed by the mover.
- c. Motion should be within the scope of agenda.
- d. Every member is allowed to speak on the motion only once.
- e. Motion can be withdrawn by mover by following a procedure.
- f. Motion should be clear and definite.
- g. A motion is put to vote after sufficient discussion.

Procedure of Motion: A chairman invites debate on the motion. He decides the order of speakers. No member is allowed to speak twice except the mover of the motion.

- 8. Amendment:** An amendment is an alteration or a modification proposed to the original or main motion when a motion is under discussion. Amendment may be made to the main motion. It can be affected in the main motion by
- a) Adding some new words in it.
 - b) Deleting some words from it.
 - c) Replacing some words by some other words.
 - d) By changing the position of words in the motion.

Rules regarding Amendment:

- a. It must be in writing.
- b. It must be seconded by another member.
- c. It must be an affirmative form.
- d. It must be definite.
- e. It must be within the scope of meeting.
- f. It should not change the meaning of the original motion.
- g. A member who has moved the original motion cannot move an amendment.
- h. A member can suggest only one amendment.

9. Point of order: Point of order means any objection raised by any of the member with regards to any type of indiscipline or any irregularity noticed during the meeting. Any member can raised the objection i.e. point of order and the Chairman must deal point of order very patiently and impartially. The chairman's ruling over point of order is final and conclusive. The chairman when observes any indiscipline can either stop the discussion on that motion or can ask the member to leave the hall.

Point of order can be raised under the following circumstances:

- a. If the meeting is not convened or constituted properly.
- b. If the quorum is not present in the meeting.
- c. If the language used by the members is improper.
- d. If the behavior of members is indecent.
- e. If the rules and regulations are not followed properly.
- f. And any point if not discussed properly.

10. Voting: The word 'Vote' means expression or the wish or the opinion for or against any proposal. It is impossible to arrive at any decision without voting. Voting is done only after the motion has been discussed in the meeting. The sense of a meeting can be ascertained by voting only. Voting is the democratic method of arriving at decision.

Methods of Voting:

- a) Voting by Voice or Acclamation: Under this method, the chairman request the members in favour of a motion to say 'Yes' and the members against the motion against the motion or say 'No'. The volume of voice indicates the sense of meeting and accordingly the motion is approved or rejected. This is a democratic method of voting where member enjoy one vote only. This method is not used for important matters.
- b) Voting by show of Hands: Under this method the members are asked to raise their hands in favour of the motion, the hands are counted and then the members are asked to raise the hands against the motion, the

hands are counted and accordingly the motion is approved or rejected. This is a democratic method of voting and every member enjoys one vote only.

- c) Voting by Ballot: Under this method every member entitled to vote is asked to record his vote on a ballot paper and deposit it in the ballot box. The votes are counted and the result is declared. This method ensures secrecy in voting.
- d) Voting by Poll: It is a secret method of voting. Poll can be demanded immediately after declaration of result by the show of hands. Proxies are allowed to vote only under this method. 'One share one vote' is the principle of voting. Polling papers are given to members and proxies for recording votes. Then the polling papers are collected. The scrutineers distribute the polling papers, enter the details on polling sheet, count the number of voters in favour and against the proposal and inform the result to the chairman. The result of poll is final. IT cannot be challenged.

Who can demand a Poll?

- a) The chairman himself can demand poll.
- b) In case of a private company:
1. Poll can be demanded by one member when not more than seven members are present.
 2. Poll can be demanded by two members when more than seven members are Present.
- c) In case of a public company, poll can be demanded by at least five members present in person or by proxy.
- d) It can also be demanded by any member/members present in person or by proxy holding one tenth of the total voting power.

11. Resolution: A motion accepted in a meeting is called resolution. A resolution is formal and final decision of meeting. No discussion is allowed on the resolution. Every resolution should be recorded in minutes book. A resolution should be brief and compact. Every resolution should be framed in the affirmative form. Number of members voting in favour and against the resolution should be mentioned. Resolution should be drafted in present tense.

1. Ordinary Resolution (Sec. 189): A resolution which is passed by simple majority is called ordinary resolution. More than 50% of the votes should be in favour of motion. E.g. Election of Director.

2. Special Resolution (Sec. 189(2)): A special resolution is one which is passed by substantial majority. It is by 3/4 or 75% majority. The number of votes in favour of motion should be three times of votes cast against the motion. E.g. change in the name of the company.

3. Resolution requiring Special Notice (Sec. 190): It is a special mode of passing certain resolutions. Such a resolution is passed by ordinary majority or special majority as per the requirements of the Companies Act or Articles of Association of a company.

A mover of the motion has to give a special notice of 14 days to the company. The company will give a notice of that resolution to all members at least 7 days before the meeting. The Companies Act 1956 requires a special notice to be given respect of the following resolution:

- a. Resolution that the retiring auditor shall not be re-appointed (Sec. 225).
- b. Resolution seeking to appoint a person as auditor other than retiring auditor (Sec. 225).
- c. Appointment of director other than retiring director (Sec. 257).
- d. Resolution seeking appointment of another person as a director in place of director so removed (Sec. 284).

Invalid Resolution: A valid resolution is one which is passed at the meeting by following proper rules and regulations. The resolutions which are passed without following the proper rules and regulations are known as invalid resolutions.

Resolutions become invalid on the following grounds:

1. If resolution is not within the scope of notice.
2. If it is not within the scope of meeting.
3. If the resolution is passed at the meeting this was not duly convened and properly constituted.
4. If the resolution is ultravires the Memorandum of Association.
5. If the resolution passed is not in the best interest of company.

12. Minutes: (Sec 193)

Meaning: Minutes are the records of proceeding of a meeting. It is a summary of all discussion and decisions taken at meeting.

Nature of Minutes: Secretary notes down the proceedings of the meeting and prepares minutes of it. Minutes is the written record of business transacted at the meeting. It is a brief summary of proceedings of meeting. It is a concise and accurate record of business transacted at the meeting. The secretary prepares

the minutes in consultation with chairman within 30 days of the conclusion of the meeting.

Minutes are recorded in Minutes Book. Minutes are recorded in the past tense. It requires approval of the members in the next meeting.

Objectives of Minutes:

- a. It is the most **official and authentic record** on which people concerned can rely.
- b. It is an important **evidence** of the proceedings of the meeting.
- c. Minutes provide a **permanent record**. These records are useful for taking future managerial decisions.
- d. Minutes are prepared in order to comply with the **statutory provisions** of the Act.
- e. Sometimes some members cannot attend meeting. Such a record be of **help to the absent members** about the proceeding of the meeting.

Q.4. DISTINGUISH BETWEEN.

1. Motion and Amendment.

Points	Motion	Amendment
1. Meaning	Motion is proposal in writing placed before the meeting for discussion and decision.	It means any alteration or modification proposed to the original motion.
2. Purpose	The discussion and decision are the main objects of motion.	To modify the main motion is the purpose of amendment.
3. Mover	The mover of the motion can speak twice on his own motion.	The mover of the amendment can speak only once on his own amendment.
4. Right to speak	Every member can speak only once on each motion.	Only those members who have not spoken on the original motion can move, second and speak on the amendment.
5. Effect	When motion is passed by majority, it becomes a resolution.	If an amendment is approved then it becomes a part of resolution.

2. Motion and Resolution.

Points	Motion	Resolution
1. Meaning	Motion is a written proposal placed before the meeting for discussion and decision.	Resolution is the final decision taken at the meeting. Motion accepted by the meeting is called Resolution.
2. Amendment	Motion is subject to amendment before it is put to vote.	It is not subject to amendment.
3. Recording	Motion is not recorded in minutes book.	All resolutions are recorded in minutes book.
4. Filing	It need not be filed with the Registrar of Companies.	Only special resolutions are to be filed with the Registrar of Companies within 30 days for passing.
5. Discussion	It is subject to Debate and discussion.	It is not subject to debate and discussion once it is passed.
6. Formalities	It must be moved by mover and seconded by seconder.	Such formalities are not required in case of resolution.
7. Withdrawal	It can be withdrawn by mover before it is put to vote.	Once it is approved, it cannot be withdrawn.
8. Legal Status	It does not have any legal status.	It has legal status.
9. Evidence	It cannot be used as an evidence.	It can be used as legal evidence.
10. Wording	It starts with the Words "To Resolve".	It starts with the words "Resolved".

<p>11. Types</p>	<p>There are three types of motion</p> <ul style="list-style-type: none"> a) Original motion b) Substantive motion c) Formal motion 	<p>There are three types of resolution at general meeting</p> <ul style="list-style-type: none"> a) Ordinary resolution b) Special resolution c) Resolution requiring special notice. <p>There are two types of resolutions passed at board meeting</p> <ul style="list-style-type: none"> a) Ordinary resolution b) Resolution by circulation.
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3. Agenda and Minutes

Points	Agenda	Minutes
1. Meaning	It is the list of items to be transacted at the meeting.	Minutes is the statutory record of business transacted at the meeting.
2. Importance	The chairman can take the items according to agenda. Agenda is sent to members along with the notice of meeting.	It acts as an evidence in court of law and it is useful for future reference.
3. When prepared?	It is prepared before the meeting.	It is prepared after the meeting.
4. Where recorded?	It is recorded in the notice of meeting.	It is recorded in minutes book.
5. Approval	It does not require any approval of members.	It requires approval of members in next meeting.
6. Tense	It is prepared in future tense.	It is recorded in past tense.
7. Status	It does not have legal status.	It is used as legal evidence in court of law.

4. Voting by show of hands and voting by poll

Points	Voting by show of hands	Voting by Poll
1. Meaning	Members exercise their votes by raising hands.	Members and proxies record their votes on voting paper.
2. Secrecy	Secrecy is not maintained. Votes are given openly by raising hands.	Secrecy is maintained as votes are recorded in voting paper.
3. Voting by Proxy	Proxies are not allowed to vote.	Proxy can exercise his vote.
4. Effect	The decision given by show of hands stand cancelled when poll is demanded.	The decision taken by poll is final and it cannot be cancelled.
5. Number of Votes	'One man one vote' is the principle of voting.	'One share one vote; is the principle of voting.
6. Nature of Voting	It is a democratic method of voting.	It is a capitalistic method of voting.
7. Where adopted?	This method is followed in all types of meeting.	This method is used when members are not satisfied with the result given by show of hands.

5. Ordinary resolution and Special Resolution.

Points	Ordinary Resolution	Special Resolution
1. Meaning	Ordinary resolution is resolution which is passed by simple majority of votes.	It is a resolution which is passed by substantial majority of votes.
2. Majority	It requires more than 50% of majority.	It requires 75% of majority.
3. Filing	It is not filed with the Registrar of Companies.	It is filed with the Registrar of Companies within 30 days of

		passing the resolution.
4. Business transacted	It is necessary for routine and ordinary business.	It is necessary for special business.
5. Example	Appointment of auditor, declaration of dividend.	Alteration in name clause, alteration in object clause, reduction in share capital of company.

OBJECTIVES

Q.1. SELECT THE CORRECT ANSWER FROM THE POSSIBLE CHOICES GIVEN BELOW AND REWRITE THE STATEMENT.

1. The notice of general meeting must be sent to all members days before the meeting. **(21)**
2. The business to be transacted at the meeting is called **(Agenda)**
3. The intimation to members stating the day, date, time and place of meeting is known as **(Notice)**
4. The person who presides over the meeting is known as **(Chairman)**
5. A proxy form must be deposited in the registered office of the company at least hours before the meeting. **(48)**
6. is the proposal put before the meeting for discussion and decision. **(Motion)**
7. For passing special resolution Majority is required. **(75%)**
8. A copy of special resolution must be filed with the Registrar within Days of conclusion of meeting. **(30)**
9. Minutes must be recorded within days of the conclusion of the meeting. **(30)**

Q.2. MATCH THE PAIRS.

Group A	Group B
a) Quorum	1) Accepted Motion

b) Proxy c) Motion d) Resolution e) Notice	2) Proposal put before the meeting. 3) Minimum number of members required for a valid meeting. 4) Representative of member 5) Alteration proposed to the motion 6) Intimation stating day, date, time and place of meeting 7) Proposal 8) Maximum number if members required for a valid meeting. 9) Successor of member 10) Record of meetings
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Ans: (a - 3, b - 4, c - 2, d - 1, e - 6)

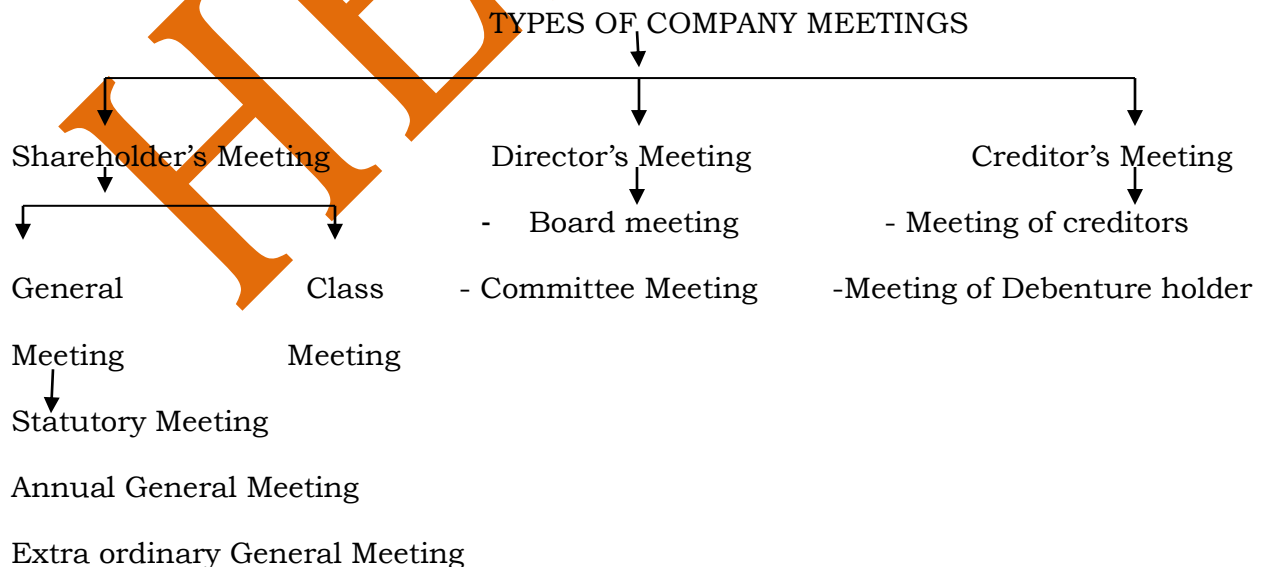
Q.3. WRITE A WORD, TERM OR A PHRASE WHICH CAN SUBSTITUTE EACH OF THE FOLLOWING STATEMENTS.

1. A list of items to be transacted at the meeting. – **Agenda**
2. The minimum number of members required to be present at a valid meeting. – **Quorum**
3. The person who presides over the meeting. – **Chairman**
4. A proposal put before the meeting for discussion and decision. – **Motion**
5. An alteration proposed to the original motion. – **Amendment**
6. A resolution passed by 3/4 majority. – **Special Resolution**
7. A resolution passed by simple majority. – **Ordinary Resolution**
8. A person appointed by a member to attend and vote at meeting. – **Proxy**

CHAPTER 9. COMPANY MEETINGS II

Q.1. EXPLAIN THE TYPES OF COMPANY MEETINGS.

Ans: As per the provision of Indian Companies Act, 1956 there are various meetings which are required to be held by Joint Stock Company. The main kinds of Company meetings are as follows:



Q.2. EXPLAIN IN DETAIL THE SHAREHOLDER'S MEETING.**Ans:**

A) STATUTORY MEETING (SEC165): Statutory meeting is the first meeting of shareholders of a company. According to Sec. 165 of the Companies Act, every public company limited by shares or limited by guarantee, having share capital must hold this meeting. This meeting is held once in the life time of a company need not hold this meeting.

Legal Provisions:

1. Statutory meeting must be held after one month but before expiry of six months from the date of obtaining Certificate of Commencement of Business.
2. The Board of directors is the proper authority to convene this meeting. If the Board fails to call the meeting, the court may order the company to call the meeting.
3. A notice of statutory meeting must be given at least 21 days before the meeting.
4. If default is made in complying with any requirements of Sec. 165, every director or any responsible officer of the company who is in default shall be punishable with a fine up to Rs. 5,000/-. If the statutory meeting is not held, the court even gives order for winding up of such a company.

Statutory Report:

A duly certified copy of a statutory report must be sent along with the notice of the statutory meeting. The report should be certified as correct by at least 2 directors and also the auditors of the company.

Contents of Statutory Report:

- 1) Number of shares allotted as fully paid and partly paid.
- 2) Receipt and Payment Account.
- 3) Preliminary Expenses.
- 4) Preliminary contracts.
- 5) Names and addresses of Directors, Managing Director or Manager, Auditor and Secretary.

B) ANNUAL GENERAL MEETING: Annual General Meeting is the meeting of shareholders which must be held in each financial year by every company.

Objectives:

- 1) To offer the members an opportunity to review the progress and performance of company.
- 2) To adopt Annual Accounts, Directors' Report and Auditor's Report
- 3) To elect directors in place of retiring directors.
- 4) To appoint auditors and fix their remuneration.

Legal Provision: The first annual general meeting of the company must be held within 18 months of the date of incorporation and subsequent annual general meeting must be held within six months of the closing of the financial year. The interval between two consecutive annual general meetings cannot be more than 15 months. The Board of Directors is the proper authority to convene Annual General Meeting.

The secretary should send 21 days notice to all members of the company at their registered addresses. According to the Companies Act the quorum for the annual general meeting is 5 members in case of a public company and 2 members in case of private company. Articles of association may provide for quorum.

If default is made in holding an annual general meeting of a company in accordance with the provisions specified in the Companies Act, the company and every officer of the company who is in default shall be punishable with fine which may extend up to Rs. 50,000/-. If the default continues fine up to Rs. 2,500/- per day default continues.

CJ EXTRA ORDINARY GENERAL MEETING: (SEC. 169): According to section 169 of Indian Companies Act 1956, extra ordinary general meeting is a meeting which is neither statutory meeting nor annual general meeting. It is a general meeting which is held between two annual general meetings. This meeting though not compulsory but must be called to discuss important and urgent matters which cannot be postponed till annual general meeting.

Circumstances when Extraordinary General Meeting is necessary:

- 1) Alteration in the name clause of Memorandum of Association.
- 2) Alteration on domicile clause of Memorandum of Association.
- 3) Alteration in the object clause of Memorandum of Association.
- 4) Alteration of Articles of Association.
- 5) Removal of director before expiry of his term.
- 6) Removal of auditor before of his term.
- 7) Voluntary winding up of company.

Legal Provisions: The directors may convene the extra ordinary general meeting whenever they think it necessary. It is held between two annual general meetings. The notice should of 21 days. The quorum for this meeting is 2 members in case of a private company, and 5 members in case of a public company. If the board fails to convene the meeting on the requisition of members, the requisitionists themselves can

convene the meeting. Any reasonable expenses incurred by requisitioner shall be repaid by the company. The company subsequently recovers this amount from defaulting directors.

D/ CLASS MEETING: Share capital of the company is divided into classes of shares. The rights attached to the shares may be altered. Consent of the holders in writing is essential for such alteration. For taking such consent meeting of a particular class of shareholders is held, such meeting is called class meeting.

Generally special resolutions are passed at such a separate meeting of the holders of shares of that class. Such meetings are held for discussing the matters which are affecting their rights. Such meetings are rarely held only when special need arises. Articles of Association may provide for such meeting e.g. if the rate of dividend of preference shareholders is to be altered, the meeting of preference shareholders will be held.

Q.3. EXPLAIN THE BOARD OF DIRECTOR'S MEETING.

Ans:

A/ BOARD MEETING (DIRECTORS' MEETING): Directors are elected representatives of the shareholders. They are responsible for day to day management of the company. The Board collectively enjoys very wide powers in the management of company. All decision must be taken at a duly convened and properly constituted meeting.

Objectives of First Board Meeting: First meeting of the Board of Directors is of special importance. Some specific business is transacted at this meeting.

- A. Election of the chairman of the Board.
- B. Appointment of secretary, first auditors, solicitor of the company.
- C. Appointment of the bankers of the company.
- D. Adoption of underwriting contract and other preliminary contract.
- E. Approval of common seal.
- F. Approval to the draft of prospectus.

Objectives of Routine Board Meeting:

- a. Issue and allotment of shares
- b. Calls on shares
- c. Forfeiture of shares
- d. Surrender of shares
- e. Transfer of shares
- f. Transmission of shares
- g. Issue of debentures
- h. Formulation of general business policies

- i. Recommendation of rate of dividend and distribution of dividend
- j. Filing of various documents and returns with Registrar.

Legal Provisions Regarding Board Meeting: The chairman of the Board is the proper authority to convene the board meeting. According to the Companies Act a meeting of the directors must be held once in each quarter of the year (once in every three months). There must be minimum four board meetings in a year. According to the Companies Act a notice of reasonable period should be given for Board Meetings. According to the Companies Act the quorum for the Board Meeting is one third of the total number or two directors whichever is higher.

B) COMMITTEE MEETING: The Board of Directors due to one or other reason may not be in a position to meet frequently for each and every meeting and for taking the decision and therefore they appoint various committees such as Allotment Committee, Transfer Committee, Investment Committee, etc. to take routine decision for quick disposal of work. The Committee is consisting of ex-officio persons (Directors). The committee may be a temporary committee or it may be a permanent committee. The committee meeting is arranged to study the problems in detail and the committee gives its report to the Board meeting is Directors. The Board may adopt committee report with or without modification.

The rules regarding committee meeting are identical to Board Meeting. The secretary has to draft the minutes of the committee meeting.

Q.4. NOTE ON CREDITORS MEETING.

Ans: A meeting of creditors (i.e. Debenture holders, Depositors, Banks suppliers) is called by the company to consider those matters which affect their interest. The following are the examples;

- A. To alert the rate of interest.
- B. To alter the terms of security.
- C. To modify the rights of debenture holders.

It is held very rarely e.g. If company is in a financial difficulty, it may call a meeting of creditors to secure their support.

Q.5 . EXPLAIN THE SECRETARIAL DUTIES BEFORE, DURING AND AFTER THE MEETING.

Ans: DUTIES BEFORE THE MEETING:

1. **Notice:** The secretary should draft the notice and prepare agenda of the meeting. He must send it as per specified time limit as per Companies Act, 1956.
2. **Preparation of various reports:** Before meeting he has to draft & prepare various report such as Auditor's report, statutory report, directors report etc.
3. **List of Members:** He has to prepare list of members with all detail.
4. **Preparation of Annual Accounts:** The secretary has to ensure that the Annual Accounts are prepared for consideration & approval by the Board.
5. **Approval of Annual Accounts:** The secretary presents the Annual Accounts to the directors for their approval.
6. **Arrangements:** He has to keep ready all documents. He has to book hall for meeting & make seating arrangements.
7. **Arrangements for proxies:** The secretary has to scrutinizes proxy forms which are received 48 hours before the meeting.

DUTIES DURING THE MEETING:

1. **Ascertaining Quorum:** The secretary should see that the requisite quorum is present at the meeting.
2. **Notice Attendance:** The secretary has to get signature of members present at the meeting in "Members Attendance Book".
3. **Regarding of Reports:** The secretary has to read the notice of the meeting along with agenda.
4. **Reading of Reports:** The secretary has to read different report at different meeting i.e. annual report, statutory report, director's report, etc.
5. **Notes of proceedings of the meeting:** The secretary should take notes of the proceedings of the meeting during the meeting.
6. **Assisting chairman:** The secretary has to provide information to the chairman. He should keep the necessary documents & statement ready for reference.
7. **Voting related work:** If situation arise he make arrangement for conducting voting in proper manner.

DUTIES AFTER THE MEETING:

1. **Drafting Minutes:** He has to draft the minutes on the basis of notes taken during the meeting. It should be drafted within 30 days of meeting.
2. **Approval of Minutes:** The minute book should be signed & approved by the chairman of that meeting.
3. **Implementation:** He has to execute the decision taken at meeting.
4. **Filing of Resolution:** Any resolution passed in any meeting it should be filed with Registrar of Companies.
5. **Filing of Annual Accounts and Annual Return:** In case of Annual General Meeting the secretary has to file copies of annual accounts with registrar of companies within 30 days and prepare and file annual return within 60 days of the meeting.
6. **To dispatch dividend warrant:** Dividend warrant must be dispatched within 30 days of the date of declaration of dividend.
7. **Payments:** He look after the payment of various bills such as payment of hall, refreshment bills etc.

Q.6. DISTINGUISH BETWEEN.**1. Statutory Meeting v/s Annual General Meeting v/s Extra Ordinary General Meeting**

Points	Statutory Meeting	Annual General Meeting	Extra Ordinary General Meeting
1. Meaning	It is the first meeting of the shareholders of a public company.	It is meeting of shareholders of company held once in a year.	It is a meeting of shareholders held under special circumstances.
2. Purpose	It is held to give information of	It is held to give information about	It is held to discuss and decide urgent

	company formation the up-to-date progress the newly formed company and to approve statutory report.	the progress made by the company during the year.	and special matters.
3. Time holding of	It must be held after month and before the of six months of obtaining the trading certificate.	It must be held within 6 months of completion of the financial year. The gap between two annual general meetings should not exceed 15 months.	It may be held at any number of times.
4. Frequency	It is held once in the time of public company.	It is once in every year.	It is held at any time between two Annual general meetings.
5. Authority	A) Board of Directors B) The Court if the Board fails to convene.	A) The Board of Directors B) The Central Government on Application form members.	A) Board of Directors B) The Board of Directors on requisition of members C) The requisitionist themselves D) The National Company Law Tribunal.
6. Quorum	Five members according to provisions of Companies Act.	Two members in case of private company. Five Members in case of public company.	Two members in case of private company. Five members in case of public company.
7. Effects of Failure	In case of default in holding the meeting	In case of default fine up to Rs.	If the meeting is not convened on

	fine up to Rs. 5,000/-.	50,000/- and fine of Rs. 2,500/- per day till default continues.	requisition the requisitioner themselves convene the meeting and can recover the expenses from defaulting directors.
8. Business	<p>a) To approve statutory report</p> <p>b) To give idea to the members regarding formation of company.</p>	<p>a) To approve annual accounts</p> <p>b) To approve auditor's and directors report</p> <p>c) To appoint directors</p> <p>d) TO appoint auditor</p> <p>e) To declare dividend</p>	<p>a) TO alter memorandum of Association</p> <p>b) To alter Articles of Association</p> <p>c) Removal of a director before expiry of his term</p> <p>d) Voluntary winding up of company.</p>

2. Shareholders' Meeting and Board Meeting.

Points	Shareholders' Meeting	Board Meeting
1. Meaning	It is the meeting of shareholders of company	It is the meeting of Directors of company.
2. Frequency	It depends on type of meeting Annual General Meeting must be held once in every year. Statutory meeting must be held once in the lifetime of company.	It must be held once in every three months and minimum four meetings in a year.

3. Types	There are 4 types of meetings of shareholders. a) Annual General Meeting b) Statutory Meeting c) Extra Ordinary General Meeting d) Class Meeting	There are 2 types of meetings of directors: a) Board Meeting b) Committee Meeting
4. Quorum	Minimum two members in case of private company. Maximum five members in case of public company..	Two directors or 1/3 of total number of directors whichever is higher.
5. Proxy	Members can appoint proxy to attend and vote at meeting.	Director cannot appoint proxy to attend and vote at meeting.
6. Voting	Voting is done by show of hands and poll.	Voting is done by show of hands.
7. Notice	21 days notice must be given to shareholders.	Reasonable notice must be given to directors.
8. Purpose	The purpose of this meeting is to take approval of shareholder on certain matter.	The purpose of this meeting is to discuss the policy matters of the company.

OBJECTIVE

Q.1. SELECT THE CORRECT ANSWER FROM THE POSSIBLE CHOICES GIVEN BELOW AND REWRITE THE STATEMENT.

1. The secretary has to prepare before the meeting. **(Notice)**
2. General Meeting must have a notice of at least clear days. **(21)**
3. The gap between two annual general meetings should not be more than **(18 months)**
4. Auditor is appointed in **(Annual General Meeting)**

5. The business transacted in extra ordinary general meeting is (**Special Business**)
6. An extra ordinary general meeting is held (**Under special circumstances**)

Q.2. MATCH THE PAIRS.

Group A	Group B
a) Board Meeting b) Statutory Meeting c) Annual General Meeting d) Extra ordinary General Meeting e) Minutes of Meeting	1. Once in the financial year 2. Once in three months 3. Prepare at any time 4. Once in the life time 5. Prepared before the meeting 6. Prepared after the meeting 7. Under special circumstances 8. Prepared during the meeting 9. Once in six months 10. Meeting of creditors

Ans: (a - 2, b - 4, c - 1, d - 7, e - 6)

Q.3. WRITE A WORD, TERM OR A PHRASE WHICH CAN SUBSTITUTE EACH OF THE FOLLOWING STATEMENTS.

1. A meeting which is held once in the life time of the company. - **Statutory Meeting.**
2. A meeting which is held once in every financial year. - **Annual General Meeting**
3. A meeting which is held between two annual general meetings. - **Extra Ordinary General Meeting**
4. A report which is prepared before statutory meetings. - **Statutory report**
5. The meeting in which dividend is declared. - **AGM**

CHAPTER 10. BUSINESS CORRESPONDENCE**Q.1. DEFINE THE TERM BUSINESS CORRESPONDENCE AND EXPLAIN NEED AND IMPORTANCE OF IT.**

Ans: **DEFINITION:** According to Robert Shurter "Business Correspondence is a message that attempts to influence its recipient to make some action or attitude, desired by the sender".

MEANING: Correspondence refers to communication in writing. It is an exchange of ideas, information, view and opinions in respect of certain matters, in a written form. Business correspondence can be in the form of letters, invoices, circulars, bills, memos, reports, etc. Correspondence is often regarded as silent salesman, because it convinces the addressee and makes him to act upon the message, the way the sender expects him to do.

An organization has to deal with a number of outside agencies i.e. customers, suppliers, government agencies and others. Personal contact is neither possible nor feasible. In such circumstances, written correspondence becomes must as it is quick and economical.

IMPORTANCE:

- 1) **Means of communication:** It is not possible for businessman to meet everyone. Business letter makes easy to contact in vast area of business. It is one of the important media of communication. It is useful to maintain relationship with others, and also useful in developing the business.
- 2) **Cheap means of communication:** Various means of communication are available. Some of them are costly or expensive though fast. For example Fax, Telex. Communication through business letter is the cheapest one. So it is supposed to be most economical and widely.
- 3) **Legal Evidence:** Business letters are in written form or in black and white. So they can be used as evidence in the court. If there any dispute letter is helpful to settle the dispute.
- 4) **Permanent Record:** Business letters can be preserved and treated as permanent records. The permanent record can be used as a future reference.
- 5) **Useful for Reference:** Business letters can be useful for the future reference because letter can be preserved.
- 6) **Medium of Settlement:** Correspondence serves as a medium through which disputes and mistakes of various types, etc. can be settled, by writing letters and adjustment for various business transactions can be made.
- 7) **Goodwill:** A Goodwill business letter always helps in establishing cordial relations between the parties. If any complain is to be lodged or any reply to complaint is to be sent, it must be polite. It creates goodwill in the minds of customers and others who comes in the contact.

Q.2. EXPLAIN THE BASIC PRINCIPLES OF BUSINESS CORRESPONDENCE.

Ans: The basic principles of business correspondence are:

- 1) **Simple Language:** Language of the business letter should be very simple. Short and simple words should be used. Receiver or reader should not find any difficulty to understand matter of letter.
- 2) **Careful planning:** Business letters are to be well planned. Utmost care must be taken for planning a letter. Planning helps the write a letter precisely, correctly and systematically.
- 3) **Purpose of correspondence:** Purpose of correspondence must be clear in the mind of the letter writer. The clarity of purpose makes the letter clear, complete, correct and compact.
- 4) **Promptness:** The letter writer should be very prompt in replying or sending a letter. Delay in reply makes bad impression in the mind of a reader. If the letter writer needs time in replying a letter, he should acknowledge the letter and the time required to the person or party concerned.
- 5) **Accuracy:** A business letter should be accurate. Figures should be before writing a letter. Facts and figures should be mentioned without any mistake. Message to be conveyed in the letter should be very clear.
- 6) **Sincerity and Friendly Tone:** The letter writer should express his views in his own ways and words. Polite language should be used. He should never forget to express thank for the work done or services rendered. Letter should create friendly atmosphere. Sincerity and friendly tone build better image and goodwill of the writer and the business organization.
- 7) **'You' Attitude:** 'You' attitude should be maintained in the letter writing. The letter writer cannot developed his 'You' attitude unless he studies interests, views and feelings of the letter receiver.

Q.3. EXPLAIN THE ESSENTIAL OF GOOD BUSINESS LETTER.

Ans: The essential of good business letter are as follows:

- 1) **Clarity:** A business letter should be clear in every sense. The language and the presentation of the letter must be very clear as the reader of the letter

finds no difficulty in reading and understanding the letter. Confusing words should be avoided. A business letter should be as clear as mirror.

- 2) **Correctness (Accuracy):** Correctness means correction or spelling, words, grammar, language, etc. The information given to the reader must be accurate and reliable. Accuracy creates a sense of confidence in the mind of the reader and will provide him with an incentive to react in way the writer wants him to react. In short the letter must contain correct information.
- 3) **Conciseness:** “Conciseness means briefness”. A business letter should be concise i.e. brief. A business letter must contain the clear and complete information in minimum possible words. The unnecessary information should be avoided because it will result in wastage of time, stationery, energy etc.
- 4) **Completeness:** A business letter though concise (brief) but should be complete in each & every respect. It must give complete information because a complete letter helps the reader in taking quick and correct decision.
- 5) **Courteousness (Courtesy):** Courtesy means politeness. Every business letter must be worded courteously. The language used in business letter must be polite, pleasing and convincing. The insulting words, harsh words, and rude words should be avoided while writing the business letter. Courtesy is a matter of tone. Courteous and polite tone is possible by using the words like please, very kind of you, thank you, etc. Courtesy creates good impression on the mind of reader.
- 6) **Consideration:** While drafting reply letters the problems, complaints and other inquiries must be given due consideration. This creates good impression on the mind of the reader and show sincerity of the writer.
- 7) **Coherence:** A letter should be written in a logical sequence. The message should be divided into different paragraphs. All paragraphs should be arranged logically or connected to each other.
- 8) **Cheerfulness:** A business letter should be cheerful. A cheerful letter id positive. It shows a spirit of hopefulness.

Q.4. EXPLAIN THE LAYOUT OF A BUSINESS LETTER.

Ans: Layout contains the following points:

- 1) **Heading:** Heading contains the name, address, Telephone No., Fax No. E-mail ID of a firm or an institute which is sending the letter. Generally, name is printed on top center of the page of the page and it is in bold letter and address is given below the name. It is that part of a business letter which introduces the sender to the receiver.
- 2) **Date:** Date is printed or typed on the right hand side of the letter just below the heading. Date includes date, month, and year on which letter is typed. Date is written in different ways. British Style – 1st April, 2011
American Style – April 1, 2011
Letter without date is supposed to be incomplete.
- 3) **Reference:** It appears on left hand side below heading. Reference No. is given which helps the receiver or the addressee to have quick reference to the matter concerned. Reference No. is a code number or word used by the letter writer.
e.g. 99/5/2014 99 – serial No. of Letter
P – Sales Department
2014 - Year
- 4) **Inside Address:** It contains name, address of the receiver of the letter. It was written at the left had side of the letter. For Personal names Mr. Shri, Mrs. or Smt. Word is used and for the firms ‘Messer’ word is used. E.g.
1) Mrs. Rina Roy, 99 ‘B’ Marine Lines, Mumbai-411001.
2) M/s Parekh Construction Company, Prabhadevi Road, Nasik-411003.
- 5) **Subject:** It is written in brief as “Sub”. It shows purpose of the letter. The reader gets the idea of matter of the letter without reading the letter completely.
- 6) **Salutation:** Salutation is greeting from the writer to the reader or addressee. It appears to the left hand margin below the inside address. It creates favourable impression on the reader’s mind. The following methods are used for salutation.
For individuals – Dear Sir/Madam, For Institutions – Sir, For VIPs – Respected Sir/Madam,
- 7) **Body of the letter:** It is the most important part of a business letter. It contains actual message to receiver of the letter. The message is divided into two or three paragraphs.

1st Paragraph: Introduces the subject or matter.

2nd Paragraph Main Part: Contains main message.

3rd Paragraph: Closing Paragraph: is the concluding paragraph.

- 8) **Complimentary Close:** This is concluding part of the letter. It is written below the body of letter on right hand side. It shows polite end of the letter.
e.g. Yours faithfully, Yours Sincerely,
- 9) **Signature:** It is the final part of the letter. The authorized person signs below the complimentary close. A letter without signature is incomplete and invalid. A rubber stamp signature should not be used.
- 10) **Enclosure:** It includes documents, copies, cheques, draft etc. which are attached with the letter. It is shown by the word "Encl" which is written on left hand side. If documents are more than one it should be numbered and attached serially.
- 11) **The Carbon Copy Notation (C.C.):** If the copy of the letter is to be sent to other persons at the same time. It is shown by two alphabets "C.C.". It is written below enclosures on the left hand side.
- 12) **Post Script:** Post script is derived from the Latin word "Post Sciptum" which means written afterwards. Post Script, is written on left hand side below the enclosures or C.C. As far as possible post script should be avoided in a business letter as it reflects lack of planning, carelessness or ignorance on the part of the letter writer.

LAYOUT OF BUSINESS LETTER

1. HEADING

NAME AND ADDRESS OF COMPANY

TELEPHONE:

E-mail:

FAX:

Telegram:

3. REFERENCE:

2. DATE:

INSIDE ADDRESS

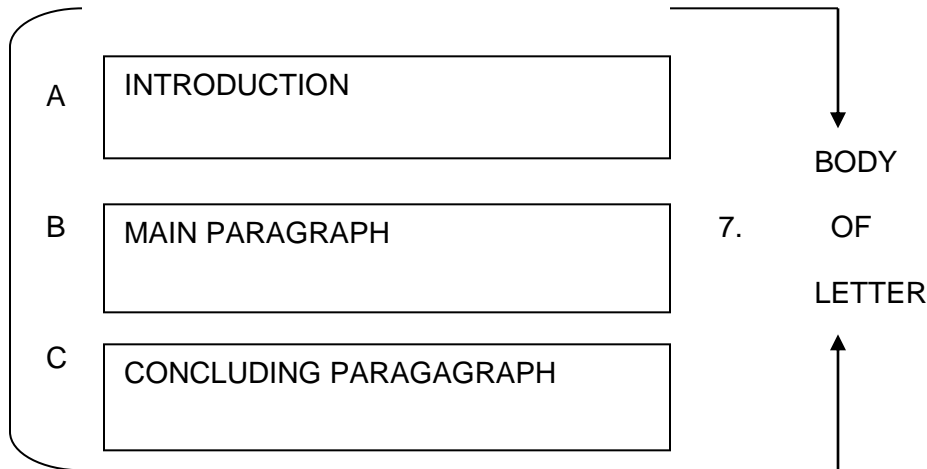
4. TO,

.....

.....

5. SUBJECT:

6. SALUTATION,



10. ENCLOUSER:

8. COMPLIMENTARY CLOSE,

11. C.C. :

9. SIGNATURE

Q.5. EXPLAIN THE PHYSICAL APPEARANCE OF A LETTER**Ans:**

- 1) **Paper:** The paper used for the business letter should be of good quality. Generally white colour paper is used for writing the letters. The good quality paper/stationery though costly, but it is considered as good investment. The size of the paper should not be too large or too small.
- 2) **Typing:** The business letters sent by business organization should be typed one because hand written letter may create some confusion and misunderstanding in the mind of receiver of the letter. But if the letter is typed properly and neatly, it will create good impression on the mind of receiver of the letter and also it avoids misunderstanding.
- 3) **Margin:** Proper margin should be left on both sides of the paper. Margin gives attractive look to the letter. The usual margin is 1.5" on both sides and at the bottom.
- 4) **Folding:** Each and every business letter should be folded suitably i.e. the folds should be given according to the size of the paper. Too many folds should be avoided because it spoils matter of the letter and create confusion on the mind of reader. Therefore it said, "Lesser the number of folds, better the letter is".
- 5) **Spacing:** Sufficient space should be provided. Spacing should be uniform. Proper spacing adds beauty to the letter.
- 6) **Letter head:** Letterhead includes name and address of the sender. Letterhead should be attractive and decent. Letterheads create first impression on the reader.
- 7) **Envelope:** The envelope used for used for positing the business letters should be of good quality. Preferably the colour of envelope should match with colour of paper. Generally the business firms use brown colour or white colour envelope.

Q.6. WHAT ARE THE PRECAUTIONS TO BE TAKEN WHILE WRITING BUSINESS LETTER.**Ans:**

- 1) **Purpose:** Purpose of the letter should be very clear in the mind of the writer. He should have through knowledge of the subject matter.
- 2) **Collection of Information:** The letter writer should collect all relevant information from section or departments before starting to write a letter. Collected material should be accurate.
- 3) **Proper use of Language:** The write should have sufficient knowledge of grammar. He must have command over the language. Reply to business letter should be tactful.
- 4) **Convening Style:** The writer should express his ideas in such a way that the reader will be convinced and he will give good response to the letter.
- 5) **Precise and Specific:** The letter should be in brief, Short, simple and familiar words and sentences should be used.
- 6) **Arrange matter in Logical Order:** Information or message is to be divided into different paragraphs. These paragraphs should be connected with each other logically.

OBJECTIVES**Q.1. SELECT THE CORRECT ANSWER FROM THE POSSIBLE CHOICES GIVEN BELOW AND REWRITE THE STATEMENT.**

1. Proper arrangement of various parts of letter is called (**Layout**)
2. Language of business letter should be (**Simple**)
3. Includes the name and address of the reader. (**Heading**)
4. The layout of a letter means (**Structure of letter**)
5. A letter without is incomplete. (**Date**)
6. The salutation is placed close to the hand margin. (**Left**)
7. Aintroduces the firm (**Heading**)
8. A letter without signature is (**Incomplete**)

Q.2. MATCH THE PAIRS.

Group A	Group B
a. Heading	1) Documents attached with letter
b. Insider Address	2) Poor drafting
c. Postscript	3) Concluding part of letter
d. Enclosures	4) Reader's Address
e. Complementary close	5) Layout
	6) Business Letter
	7) The Name and Address of writer.

Ans: (a - 7, b - 4, c - 2, d - 1, e - 3)

Q.3. WRITE A WORD, TERM OR A PHRASE WHICH CAN SUBSTITUTE EACH OF THE FOLLOWING STATEMENTS.

1. Space left on the sides. - **Margin**
2. Structure of the letter. - **Layout of letter**
3. The name and address of the reader. - **Insider Address**
4. The name and address of the letter writer. - **Heading**
5. A matter written after completing the letter. - **Post script**
6. The copies sent along with letter. - **Enclosure**
7. The line introducing the topic of the letter in brief. - **Subject line**

CHAPTER 11. SECRETARIAL CORRESPONDENCE WITH DIRECTOR

Q.1. EXPLAIN THE ROLE OF DIRECTOR.

Ans: DEFINITION: Sec. 2(3) the Companies Act 1956 defines, Director as, 'Any person occupying the position of Director by whatever name called'.

MEANING: Shareholders are owners of the company. Being the owners they have the power of controlling the company. But because shareholders are large in number and widely scattered, they cannot control the company and therefore they appoint the directors to control and to look after day to day working of the company. Directors are representatives of shareholders and controllers of the company.

ROLE OF THE DIRECTOR:

1. Directors act as Agent: They enter into contracts and perform different duties on behalf of the company. The contracts made by the directors are binding on the company.
2. Directors as Trustees: Directors are trustees of the company. They look after the property, capital and assets of the company. Therefore, they must protect interest of the shareholders.
3. Directors as Managing Partner: The directors are elected representatives. They have to manage business on behalf of the shareholders. They have to perform functions like issue of shares, allotment of shares, making calls, forfeiting shares, etc.
4. Directors as employees: The directors are required to attend meetings and frame policies of the company. Managing Director, manager and whole time Director can act as an employee.

Q.2. EXPLAIN THE CIRCUMSTANCES UNDER WHICH A SECRETARY MAY HAVE TO CORRESPOND WITH DIRECTORS.

Ans: The occasions when the secretary has to enter into correspondence with the Directors are as follows:

- 1) Notice of meeting with Agenda.
- 2) Disclose personal interest in a business contract.
- 3) A brief report to the Directors who were absent for a meeting.
- 4) Reminding the Directors of the provision regarding absenteeism at consecutive meeting.

- 5) Requesting a Director to be present at a meeting as an expert.
- 6) Removal or retirement of a Director.
- 7) Sending notice of first Board meeting to the Directors.
- 8) Letter to director requesting him to buy qualification shares.

Q.4. SPECIMEN LETTERS

1. Draft of notice and agenda of a routine board meeting.

MAYURESH INTERNATIONAL LTD.

Registered office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 6th September, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Notice of Board meeting

Sir,

Notice is hereby given that the meeting of the Board of Directors will be held on 28th September, 2014 at 1.30 p.m. at the registered office of the company 09, D.N. Road, Nariman Point, Mumbai 400 021 to transact the following business:

Agenda:

1. To confirm the minutes of the last meeting.
2. To consider applications for transfer of shares.
3. To consider financial position of company.
4. To decide the date of the next Board Meeting.
5. Any other matter with the permission of the Chairman.

You are requested to be present at the meeting.

Yours faithfully,
Sd/-
Company Secretary

2. Report to a director who was absent for a meeting.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 11th December, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Report of Meeting

Sir,

As per your request letter dated 15th November, 2014, I am enclosing a copy of the minutes of the last Board Meeting held on 10th November, 2014 for your information and record.

I would like to draw your kind attention to Item No. 5 of the minutes which relates to import some latest heavy duty machine as a part of modernization of the company. This item was discussed in detail. The Chairman's point of view was finally accepted and decision was taken to import heavy duty machines. It was also decided to raise the required finance by issue of 50,000 Equity Shares of Rs. 10 each to the public.

The other items in the minutes being of routine nature required no explanation.

I shall be glad to give you any further details if you so desire.

Yours faithfully,

Sd/-

Encl.: Copy of Minutes

Secretary

3. Letter to a director reminding him of the provision regarding absenteeism for consecutive meetings.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 15th December, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Your absence from two Board Meetings.

Sir,

You had been absent for the last two board Meetings held on 25th July, 2014 and 25th November, 2014 proper permission and intimation.

The next Board Meeting is to be held on 1st March, 2015. You are requested to be present in this meeting. If you are unable to attend this meeting due to certain reasons, kindly take prior permission of the Board of Directors.

Under the Companies Act 1956, a Director remaining absent for three consecutive Board meeting has to vacate his office of Directors.

I, therefore, request you to attend the meeting or inform about your absence at this meeting.

Yours faithfully

Sd/-

Secretary

4. Letter requesting director to be present at a meeting as an expert/ to attend the next Board Meeting in which some importance decision to be taken.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 20th September, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Your presence at Meeting as an expert.

Sir,

This is to bring to your kind notice that you are requested to attend the next Board Meeting positively. You may have received the agenda of the Board Meeting to be held on 18th October, 2014.

There are certain important matters such as financial of accounts, annual report and treatment of reserves which will be taken for discussion.

As directed by the Chairman, I request you to be present at the meeting as an expert. You are requested to attend the meeting positively and give your valuable advice to the Board.

Yours faithfully

Sd/-

Secretary

5. Letter to a director intimating his removal from Directorship.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 25th September, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Intimation about Removal.

Sir,

I have been directed by the Chairman to inform you that, the company received 14 days special notice from the members proposing your removal from the directorship on account of misuse of company's property. This charge against you has been established and proved by the committee appointed for the purpose.

As per the rules, an extra-ordinary general meeting was convened on 20th September, 2014 and the members, after due consideration of your explanation, have passed a resolution favouring termination of your directorship.

Under these circumstances, I am directed to inform you that your directorship in the company has been terminated with effect from 20th September, 2014.

Yours faithfully

Sd/-

Secretary

OBJECTIVES**Q.1. FILL IN THE BLANKS.**

1. The secretary has to write a letter inviting a person to join as the Director as per the instructions of the **Chairman of the Board**
2. A secretary is the **Trustee** of the Directors of the company.
3. Directors are the **Brains/Controllers** of the company.
4. The Chairman of the Board is elected in **First Board Meeting.**
5. A meeting of Board of Directors must be held once in every **Three** months.
6. Directors are the **representatives** of shareholder.
7. The appointment of the bankers of a company is made by **Board of Directors.**
8. If the Director remains absent from **three** consecutive Board Meetings without intimation his office becomes vacant.
9. The Director must obtain qualification shares within **two** months after his appointment as the Director.
10. In a Joint Stock Company, the supreme decision making authority is **Board of Directors.**
11. Interim dividend is declared by **Board of Directors.**
12. The Directors have to draft **Annual** report every year.
13. A director can be removed even before **Expiry of the term.**
14. Directors retire by **Rotation.**
15. At least **two** Directors should sign a share certificate.

Q.2. MATCH THE PAIRS.

Group A	Group B
1) Board of Directors	a) Chairman of meeting
2) Right of Forfeiture	b) Sub-committee of directors
3) Qualification Shares	c) Board Meeting
4) Interim Dividend	d) Must be purchased by Directors
5) Committee Report	e) Board of Directors
6) Casting Vote	f) Body of representatives of shareholders

Ans: (1 - f, 2 - e, 4 - c, 5 - b, 6 - a)

Q.3. SUGGEST A WORD.

1. An elected representative of shareholders – **Director**
2. A body of elected representatives of shareholders – **Board of Directors.**
3. The Shares, which must be held by Directors within two months from their appointment as Directors – **Qualification Shares.**
4. The authority of forfeit shares – **Board of Directors**
5. The report prepared by a group of directors – **Committee Report**
6. The authority to forfeit shares – **Board of Directors.**

CHAPTER 12: SECRETARIAL CORRESPONDANCE WITH REGISTRAR OF COMPANIES

Q.1. WHO IS REGISTRAR? WHY HE IS APPOINTED?

Ans: According to Companies Act, 1956, under Section 2(40) Registrar is defined as “Registrar or an additional, a joint, a Deputy or an assistant Registrar, having the duty of registering companies under this Act”.

A Registrar is a government official. He is appointed by the Central Government, for each state to monitor, regulate and control the activities of companies. A group of persons who want to promote a company, are called promoters, approach the Registrar to get company registered. Hence, Registrar is called as Registering Authority of Joint Stock Companies.

Q.2. EXPLAIN THE ROLE OF REGISTRAR.

Ans: Registrar of Companies is appointed by the Central Government to have statutory control over the companies. Every company has to submit certain documents with Registrar to obtain incorporation certificate and business commencement certificate. Registrar of companies performs different functions such as:

- i. Incorporation of Companies.
- ii. Registration of Documents.
- iii. To act as custodian of data and information related to companies.
- iv. To take legal action against companies in case of default in following provisions of the Companies Act.
- v. To inspect books of accounts and other registers.
- vi. To keep vigilance and supervise legal matters involved in the administration of Companies.

Q.3. EXPLAIN THE CIRCUMSTANCES UNDER WHICH A SECRETARY HAS TO CORRESPONDENCE WITH REGISTRAR OF COMPANIES.

Ans: Circumstances under which a secretary has to correspondence with registrar of companies are as follows:

1. Filing statutory report.
2. Submitting the Return of Allotment.
3. Filing Annual Report.
4. Extension of time for holding Annual General Meeting.
5. Filing Special Resolution.
6. Alternation in clause of Memorandum of Association and Articles of Association.
7. Filing Memorandum and Articles of Association, List of Directors, etc. for getting Certificate of incorporation.
8. Filing necessary documents for getting Certificate to Commence Business.
9. Filing the certified copy of Prospectuses on or before the date of publication of the Prospectus.
10. Forwarding documents, returns, notices, etc. as per provisions of the Companies Act, 1956.
11. Forwarding certain types of resolutions and agreements.

Q.4. DRAFT A LETTER:

1. Letter for filing Statutory Report.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 22nd September, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Filing of the Statutory Report.

Sir,

This is to inform you that the statutory Meeting of the Company was held on 20th September, 2014 at the Registered Office of the Company. The Statutory Report was accepted and approved by all the Members.

We forward herewith for registration a copy of the 'Statutory Report' duly signed by two directors and the auditors of the company. The requisite fee for filing the report has been paid and the copy of the challan for the payment is also enclosed.

Yours faithfully

Sd/-

Secretary

2. Letter to the Registrar filing the annual report.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 15th September, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Filing of Annual Report.

Sir,

In compliance with provisions of Section 220 of the Companies Act 1956, we forward herewith Annual Report of the Company. It is signed and forwarded together with the necessary certificates. The copies of audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 2014 and the Auditors Report are enclosed which were adopted by the Annual General Meeting of the Company held on 10th September, 2014.

A crossed cheque for the requesting filing fee is enclosed herewith.

Thanking you,

Yours faithfully

Sd/-

3. Letter for an extension of time for holding AGM.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 20th July, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Extension of time holding Annual General Meeting

Sir,

As per Sec. 166 of the Companies Act 1956, it is necessary to hold the /annual General Meeting on or before 30th September, 2014 for the financial year ended 31st March, 2014.

We are sorry state that our administrative staff was on strike. The records have remained incomplete. As a result it would not be possible for us to finalize the accounts in time. Under the circumstance it would not be possible to hold Annual General Meeting before 30th September, 2014.

We, therefore, request you to grant an extension of two months for holding Annual General Meeting i.e. up to 30th November, 2014 and oblige us.

Thanking you,

Yours faithfully

4. Letter regarding filing of special Resolution.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 21st January, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Filing Special Resolution

Sir,

This is to inform you that the extra-ordinary General Meeting of the Company was held on 18th January, 2014 at the Registered Office of the Company to consider an alteration in the domicile clause of the Memorandum of Association of the Company.

The Registered Office of the Company is now shifted from Registered Office No.9, D.N. Road, Nariman Point, Mumbai 400 021 to 09, M.G. Road, Camp, Pune 411 001. The change was accepted by the members by passing a special resolution.

A copy of the special resolution passed in the meeting is enclosed herewith for your record along with the necessary filing fee.

Thanking you,

5. Letter informing him about the Alteration in the Memorandum of Association.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 1st September, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Alteration in Memorandum of Association.

Sir,

This is to inform you that an Extra-ordinary General Meeting of the Company was held on 28th August, 2014. The Members unanimously adopted a resolution to change the name of the Company from 'MAYURESH INTERNATIONAL LTD. to MAYURESH GLOBAL LTD.'. .

You are requested to register this name in your records. We are enclosing a copy of the altered Memorandum of Association and the necessary forms duly filled in along with the requisite fee.

Thanking you,

6. Letter for filing alteration in the Articles of Association.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 20th October, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Filing of Altered Articles of Association.

Sir,

This is to inform you that the extra-ordinary General Meeting of the Company was held on 18th October, 2014 at the Registered Office of the Company. The members of the Company passed special resolution altering Article No. 65 in the following manner.

The original article was the qualification of a director shall be the holding of at least five equity shares of Rs. 100/- each in the Company has now been altered to the effect. The qualification of director shall be holding of at least 10 equity shares of Rs. 100/- each in the Company.

We enclose herewith a copy of the Special Resolution for your reference and registration.

Thanking you,

OBJECTIVES**Q.1. FILL IN THE BLANKS.**

1. Is a whole time officer appointed by the Government for the administration of the Companies in India. **(The Registrar)**
2. Can give extension of time for holding the Annual General Meeting of the company. **(The Registrar)**
3. The secretary should file with the Registrar within thirty days of the date of allotment of shares. **(Returns as to Allotment)**
4. A In address of the registrar office of the company must be informed to the Registrar. **(Change)**
5. A secretary should file Returns within sixty days of the date of Annual General Meeting. **(Annual)**
6. The Registrar of Companies is Authority. **(Statutory)**
7. The Registrar of Companies may grant an extension of months for holding the Annual General Meeting **(Three)**
8. The day-to-day administration of the Company Law Board is entrusted with **(Registrar of Companies)**
9. The Prospectus need to be field with the before being issued to the public. **(Registrar)**
10. A copy of Memorandum and Articles of Association should be field with the **(Registrar)**

Q.2. MATCH THE PAIRS

Group A	Group B
1) Registration of the company 2) Registrar of Companies 3) Prospectus 4) Articles of Association 5) Extension of time for holding meeting	a) Invitation to public b) Rules of management c) Registrar of Companies d) Authority of Registration e) Compulsory

Ans: (1 - e, 2 - d, 3 - a, 4 - b, 5 - c)

Q.3. SUGGEST A WORD.

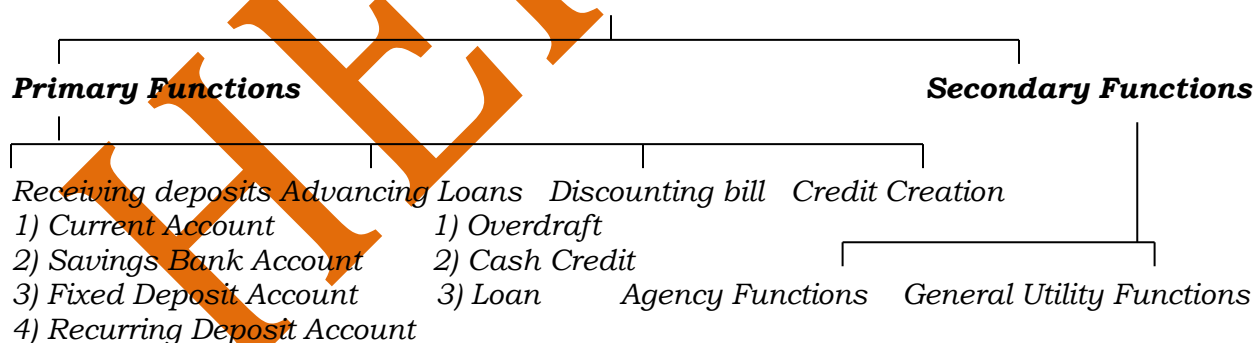
1. An authority to register a company under the Indian Companies Act, 1956. – **Registrar**
2. Authority to issue a Certificate of incorporation. – **The Registrar**
3. Permission in writing by the Registrar to the Company to start its business operations. – **Certificate of Commencement of Business**
4. A document to be submitted to the Registrar within 60 days of the annual general meeting. – **Annual Returns**
5. Registration of a Company. – **Registrar of Companies**
6. Certificate of Incorporation. – **Registrar of Companies**
7. Certificate of Commencement of Business. – **Public Company / ROC**
8. Returns of Allotment – **Registrar of Joint Stock Company**
9. Annual Returns – **Registrar of Joint Stock Company**
10. Order of winding up of the company – **Registrar of Companies**

CHAPTER 13. SECRETARIAL CORRESPONDENCE WITH BANKS

Q.1. DEFINE BANK AND EXPLAIN VARIOUS FUNCTIONS OF BANKS.

Ans: The Functions of Commercial Banks can be discussed as follows:

Functions of Commercial Bank



PRIMARY FUNCTIONS:

(A) Accepting Deposits: A Bank accepts deposits from individuals, firms and institutions. These deposits are the main sources of finance/revenue of a bank. The deposits received by bank can be as follows:

- 1) **Demand Deposits or Current Account Deposits:** Demand Deposits are generally kept by businessmen, to meet their day-to-day business needs. Money deposited in the current account can be withdrawn in part or full any time. No interest is paid on these accounts. The banks keep almost 100% reserves against these deposits.
- 2) **Fixed Deposits or Time Deposits:** Fixed Deposits are deposits, which are made for fixed period of time which varies from 15 days to 5 years or more. These Deposits carry a high rate of interest. These deposits cannot be normally withdrawn before the expiry of period. If they are withdrawn there will be a loss of interest. At present the rate of interest varies from 5% to 8.5% depending on the time period and the type of bank.
- 3) **Savings Bank Deposits:** Saving Bank Deposits are generally kept by salaried persons having fixed income. These accounts can be opened with a small amount. These deposits carry a lower rate of interest than fixed deposits.
- 4) **Recurring Deposits:** In case of such deposits, depositors are encouraged to deposit a specified amount at a regular interval i.e. monthly basis. Interest on these deposits is almost equal to that of Fixed Deposits.

(B) Giving Loans: Giving loans is another important function of bank. Banks pay lower rate of interest for the deposits accepted and give loans at a higher rate of interest. The difference between the lending rate deposit rates is the profit of the bank. But since the bank deals in people's money, it has to keep some cash ready to meet the day to day demand (withdrawals) of the depositors. Thus, banks keep some percentage of deposits as reserves and give the remaining amount as loans.

- 1) **Overdraft Facility:** This facility is given to current account holders. It is given to respectable and reliable customers for a short period. Under such facility, the customer is allowed to withdraw excess amount than the amount that is available in his account up to a specified limit. Interest is charged on the excess amount withdrawn.
- 2) **Discounting bills of Exchange:** Now-a-days people do not wait for the bill of exchange to mature. Banks give loans to people by discounting bills of exchange. When bills of exchange mature banks get back their payment from the persons who have drawn the bill or who are liable to pay the bills. Banks get commission for discounting the bills.
- 3) **Demand Loans or Money-at-call or Short Notice:** These loans are given by the banks for a very short period and are generally backed by some security. These loans have no stated maturity and are also called as call loans. These loans are normally given to stock brokers, dealers in stock exchange etc. They are repayable on demand at 24 hours notice or at 7 days notice. The entire loan

amount is paid in lump sum by crediting it to the loan account of the borrower. The interest is charged on the entire amount of loan.

- 4) **Fixed-term Loans:** Such loans are generally given for a period of One to Ten years to traders, producers, industrialists etc. If the loan is taken for 5 years or more, rate of interest is higher. If loan is taken for 1 or 2 years the rate of interest charged is low.
- 5) **Participation or Consortium Loans:** Sometimes two or more banks give fixed term loans to the industrialist against a common security. Such loans are called Consortium or Participation Loans.
- 6) **Consumer credit:** These loans are given to householders for the Purchase of durable consumer goods like washing machine, Television, Air Conditioners, Handy cams, Higher Education, Marriages etc. Such loans are repaid in easy installments within a given period of time.
- 7) **Credit Creation:** Credit Creation is one of the most outstanding functions of a modern commercial bank. Hence, it is mostly said that banks are manufacturers of credit. Credit is created when one party (a person, a firm or an institution) lends money to another party.

(C) **Development of Cheques:** This is also an important function of bank in settling debts. It is more suitable to use Cheques than Cash.

- 1) **Bearer Cheque:** A bearer Cheque can be uncashed immediately when presented at the bank by the bearer (any person presenting the Cheque) of it.
- 2) **Crossed Cheque:** A Crossed Cheque is one in which two parallel lines are drawn at the left hand side corner of the Cheque. Such Cheques cannot be uncashed immediately but have to be deposited in the payee's account in the bank. The amount gets credited in the account.

(D) **Remittance of Funds:** Commercial Banks help in remitting (sending) funds from one place to another by issuing bank drafts, mail transfers, telegraphic transfers etc. by charging some commission.

SECONDARY FUNCTIONS OR NON-BANKING FUNCTIONS:

(A) **Agency services:** Commercial Banks provide a number of services as an agent of customers. These include:

- 1) **Transfer of Money:** This is done by means of Cheques, draft and telegraphic transfers etc. The bank charges a small commission for providing these services.
 - 2) **Executing Orders:** Standing order are performed such as payment of insurance premium, payments of subscription fees of clubs and societies.
 - 3) **Collection of Money:** Collection of Dividend or interest on securities on behalf of customers.
 - 4) **Purchase & Sale:** Securities are purchased/sold on behalf of customers by bank.
 - 5) **Trustee:** Bank also acts as a trustee or executor of will created by its customers. This means undertaking the administration of Estates as Executor or trustee. This includes acquiring and holding and generally dealing with any property right, title or interest in any such property.
- (B) General Services:** Commercial Banks also performs a number of general utility services.
- 1) **Safe Custody:** Commercial banks provide safe custody services to its customers for safe keeping of valuables like shares, wills, documents, security papers etc.
 - 2) **Safe Deposit Vault:** Lockers are provided in various sizes on payments on a fixed rent. The lockers are situated in a strong room, generally underground where walls and ceilings are fireproof. The articles kept in the lockers remain in the possession of the locker-holder and the access to the locker is given only after completion of certain formalities.
 - 3) **Travellers Cheque:** The travellers Cheques are mostly utilized to remove the risk of theft in the course of travel.
 - 4) **Foreign Exchange:** A separate Foreign Exchange Department is maintained by most of the banks. Its function is to convert foreign currency into domestic currency and vice-versa.
 - 5) **ATM and Credit Card Facilities:** Automated Teller Machines facilities provide cash easily and quickly 24 hours a day. Credit Card allows a person to buy goods and service up to certain specified limit without immediate payment. Purchases can be made on credit basis. Amount is paid to shops, hotels etc. by the bank. The banks collect the amount due from the customers by debiting their account.

Q.2. EXPLAIN THE CIRCUMSTANCE UNDER WHICH SECRETARY HAS TO ENTER INTO CORRESPONDENCE WITH BANKS.

Ans: Banks play an important role in the working of the company. The banks accept deposits and advances loans to the company. The secretary of a Joint Stock Company has to look after the correspondence with the bank in respect of financial matters. The following are the circumstances under which the secretary enters into correspondence with the banks:

1. Letter for opening an account in the name of the company.
2. Letter requesting the bank to stop payment of a cheque issued to a wrong party or of wrong amount, or lost in transit and so on.
3. Letter requesting the banker to grant overdraft facility or a cash credit or a loan facility.
4. Letter demanding bank statement for preparing bank reconciliation statement.
5. Letter requesting a bank for change in signatories.
6. Letter of enquiry regarding new banking facilities.

Q.3 DRAFTS A LETTERS:

1. Letter to Bank for Opening an Account

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 4th July,, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Request to open a Current Account

Dear Sir,

The Board of Directors of our company has passed a resolution in their meeting held on 25th June, 2014 to open Current Account with your bank and to appoint you as official banker of our company.

2. Letter requesting a Bank to stop payment of a cheque.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 4th July, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Stop payment of Cheque No. 017434 Dated 17th June, 2014.

Dear Sir,

The undersigned request you to stop payment of our cheque No. 017437 dated 17th

3. Letter to a Bank Requesting to issue Letter of Credit.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: _____

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Issue of letter of credit our Current Account No. _____

Dear Sir,

OBJECTIVES**Q.1. FILL IN THE BLANKS.**

1. The secretary has to write a letter to for opening account in the name of the company. **(Bank)**
2. The appointment of the bankers is made by the **(Board of Directors)**
3. Withdrawals are not permitted from account **(Fixed Deposit)**
4. Interest is not paid on account **(Current)**
5. Overdraft facility is granted to account holders. **(Current)**
6. Secretary usually requested the bank to issue while placing an order for imports. **(Letter of Credit)**
7. are provided by banks for safekeeping of valuables on rental basis. **(Safe deposit vaults / lockers)**

8. A cheque which contains two parallel lines on its face is called cheque.
(crossed)
9. A cheque which bears future date is called cheque. **(Post dated)**
10. Current account is suitable to **(Business firms)**
11. Banks usually provide loan to the businessmen with **(Security)**
12. Stop payment letter is necessary when **(Cheque is lost in transit)**

Q.2. SUGGEST A WORD

1. A negotiable instrument, which can be discounted with bank. – **Bill of Exchange**
2. The type of account which is opened by business. – **Current Account**
3. The book or extract given by the bank which shows particulars of transactions of a customer of the bank. – **Pass book**
4. Facility by which withdrawal of an account in excess of balance to the credit of current account with bank's permission is allowed. – **Overdraft**
5. The signature of an account holder supplied by him to the bank at the time of opening account. – **Specimen signature**
6. A letter issued by a bank in the importing country in favour of the exporter containing an undertaking that bills drawn on importer will be honoured on presentation. – **Letter of Credit**
7. A deposit which is kept for fixed period in bank. – **fixed deposit**
8. A type of account for which higher rate of interest is paid to bank depositors. – **Fixed Deposit**
9. The type of account where a fixed sum is deposited monthly. - **Recurring A/c**

Q.3. MATCH THE PAIRS

Group A	Group B
1) Saving Account	a) Used for depositing cash
2) Current Account	b) Bank facility to businessmen
3) Fixed Deposit Account	c) Temporary loan facility
4) Bank Overdraft	d) Highest rate of interest
5) Cash credit	e) No interest is paid by the bank
6) Pay-in-slip	f) Restrictions on withdrawals
7) Supply Finance	g) Overdraft facility

Ans: (1 – f, 2 – e, 3 – d, 4 – c, 5 – b, 6 – a, 7 – g)

HERAMB

CHAPTER 14. SECRETARIAL CORRESPONDANCE WITH

INSURANCE COMPANIES

Q.1.DEFINE TERM 'INSURANCE' AND EXPLAIN CERTAIN TERMS OF INSURANCE.

Ans: Modern life is full of risk and uncertainties. Human life is subject to risks and uncertainties. Same is the case with goods, raw materials and other type of properties. By timely precaution and proper planning, some of the risk can be avoided or at least minimized. In simple words, Insurance means protection against risk of loss. Insurance contract is a contract between two parties whereby one party

undertake, in exchange for a fixed sum, to pay the other party, a fixed amount of money on the happening of a certain event. Here, happening of undesirable event such as death, fire etc. cannot be eliminated by insurance. It is a method of pooling of risk and sharing the same with others.

DEFINITION : Business and finance dictionary defines insurance as “ A form of contract or agreement under which one party agrees in return for a consideration to pay an agreed amount or money to other party to make good a loss, damage or injury to something of value in which the insured has pecuniary interest as a result of some uncertain event.”

TERMS USED IN INSURANCE:

- 1) **Insurer/Assurer**: The Company, which issues insurance policy is known as insurer.
- 2) **Insured/Assured**: The person to whom the compensation is to be given is called insured.
- 3) **Proposal**: Proposal is a written request made by the proposer to the insurance company for insurance policy against some potential liability.
- 4) **Premium**: Premium is the periodically payment which the insured has pay to the insurer in return for the insurer's guarantee to make good a specific loss.
- 5) **Claim**: Claim is a demand made by the insured from the insurer for compensating loss occurred due to damage to the subject matter of insurance.
- 6) **Policy**: The document in which the contract of insurance is written is called policy.

Q.2. EXPLAIN THE PRINCIPLES OF INSURANCE.

Ans: Any insurance contract made without due consideration to these principles is treated as void; not enforceable by law. These basic principles are as follows:-

- 1) **Principle of Utmost Good Faith**: Utmost Good Faith is one basic & primary principle for insurance. It states that insurance contract must be made in absolute good faith on the part of both parties. The insured must give to the insurer complete, true & correct information about the subject matter of

insurance. Thus, Insurance contract must be made in good faith. There should be no fraud, misrepresentation or concealment of any kind. The principle is to be followed while supplying information to the insurance company in the proposal form. The law places this responsibility on the insured. The insurance contract will be null and void if wrong information is supplied to the Insurance Company. This principle is applicable to all insurance contracts.

- 2) **Principles of Insurable Interest:** This Principle suggests that the insured must have insurable interest in the object of Insurance. A person is said to have such interest when the physical existence of the object of insurance gives him some gain, but which he is likely to lose by its non-existence. For example- an owner of a building has insurable interest in the building as he is getting income out of it. However if sells it, he will not have such interest in the building. Insurance contract without insurable interest is nothing but a wagering contract. A trader has insurable interest in his business and a creditor has insurable interest in his debtor. Similarly, an exporter has insurable interest in the goods, which he is exporting. In addition, the owner of a shop or building has insurable interest in his shop or building. This principle is applicable to all insurance contracts.
- 3) **Principle of Indemnity:** This is one important principle of Insurance. This principle suggests that insurance contract is a contract for protection and not for profit making. The purpose of insurance is to secure compensation in case of loss damage. Indemnity means security against loss. In Insurance, the amount of compensation will be paid in proportion to the loss actually occurred. The amount of compensation in insurance contract is limited to the amount assured or the actual loss whichever is less. The compensation will not be paid if the specified loss does not occur during a particular period. For example If a building worth Rs. 50,000 is insured for Rs. 40,000 and the actual loss due to fire is Rs. 20,000. Thus insured will be compensated for the actual loss occurred i.e. Rs. 20,000 only.
- 4) **Principle of Subrogation:** This principle is an extension and a corollary to the principle of indemnity. It is applicable to all contracts of indemnity. It states that once the full compensation is paid by the insurance company it acquires all rights and remedies which the assured would have enjoyed regarding the said loss. When the compensation is paid for the total loss, all rights of the insured in respect of the subject matter of insurance are transferred to the insurer. The insured will not be able to keep the damaged property because in that case he will realize more than the actual loss suffered. This principle

prevents the insured from the making profits out of loss. The principle is applicable to fire, marine and accident policies. The Insurance Company protects its interest with the help of principle of subrogation.

- 5) **Principle of Contribution:** There is no restriction as to the number of times the property can be insured. But on the occurrence of the loss only the amount of actual loss can be realized from one insurer or all the insurers together. The insurance company meeting the claim in full can claim the contribution from other insurer's in the pre-determined ratio. This principle is however not applicable for life insurance contract e.g. if a person take out a whole life policy for Rs.5,000/- from insurance company and if he also takes another endowment policy for Rs.10,000/- on his life from LIC then in case of his death his nominee can realize a total of Rs.15,000/-
- 6) **Mitigation of loss:** According to this principle every insured should take all the necessary steps to minimize the loss. E.g. if a trader takes out a marine insurance policy for the goods being shipped from Mumbai to Goa and if the storm takes place due to which there might be risk of ship sinking, according to this principle the risk can be minimized by throwing away some of the goods from the ship to reduce the weight on the ship.
- 7) **Risk must Attach:** The subject matter should be exposed to risk. E.g. for goods placed in godown marine insurance policy cannot be taken however goods may be insured against fire or theft.
- 8) **Causa Proxima:** The principle of causa proxima means that when a loss has been caused by series of causes, the proximate or the nearest cause should be taken into consideration to determine the liability of the insurer. The principle states that to ascertain whether the insurer is liable for the loss or not, the proximate & not the remote cause must be looked into for E.g. A cargo ship got a hole, due to negligence of the master and as a result sea-water entered and cargo was damaged. Here are two causes of the damage of the cargo- the hole in the ship and sea-water. The risk of sea-water is insured but the first cause is not. The nearest cause of damage is sea-water and therefore the insurer is liable to compensate.

Q.3. EXPLAIN THE TYPES OF GENERAL INSURANCE.

Ans: 1) FIRE INSURANCE: Fire insurance is a contract of indemnity. Here, the insurer undertakes to indemnify the policy holder against the loss arising due to fire. Fire insurance gives protection against loss of property due to fire. Here, compensation is paid only if the loss is incurred to specific property within a specific time due to fire. The Compensation, under fire insurance policy is always in proportion to the actual

financial loss occurred due to fire. Fire insurance is basically for proportion and not for profit. Fire insurance is a contract under which insurer gives guarantee to pay compensation for actual financial loss occurred to specific property during a specific period due to fire against the payment of regular premium. The compensation will be paid in proportion to actual loss suffered. The loss due to fire, lighting and explosion is also covered by fire insurance.

TYPES OF FIRE INSURANCE:

- 1) **Specific Policy:** Specific Policy covers the risk of certain specific amount mentioned in the policy. The compensation payable will not be more than this specific amount. However, if the actual loss is more than the amount specified in the policy, the whole loss will be compensated. For e.g. a house worth Rs. 50,000 is insured for Rs. 20,000 and the actual loss due to fire Rs. 4,000. The amount of compensation will be Rs. 4,000 only. However, if the actual loss is Rs. 25,000, the insurance company will pay Rs. 20,000 only as it is the specific risk only.
- 2) **Valued Policy:** Under the valued policy, the valuation of the property is made at the time of issue of the policy and the compensation will be paid of the loss occurs. Such policy is useful when after incidence the calculation of the actual loss is difficult. The insured is paid full amount it is not necessary to prove the actual loss. Thus, the value of the property is ascertained and/or agreed upon and the insurer agrees to pay this much value if the loss takes place due to fire.
- 3) **Average Policy:** Under the average policy, the insurer is liable to pay only that proportion of the actual loss as the insured will bear to the full value of the property at the time of the loss. Here the insured is penalized for under-insurance. If the subject matter of insurance is underinsured, the insurer shall be liable only for that proportion of loss which bears to its actual value of the subject matter. This arrangement is necessary in order to discourage under for Rs.2,00,000 only. The insurer shall pay only 50% of the actual amount of loss sustained by the policy holder and the balance of the loss will shared by the insured himself.
- 4) **Floating Policy:** A floating policy is one which covers one or several kinds of goods lying in different localities under one sum for one premium. The premium charged is the average of the premium that would have been paid if each lot of goods at different places. They desire to have one insurance cover for all goods lying at different places. They naturally prefer one floating policy for all such goods. The insurance company agrees to pay compensation for the loss occurred to goods lying at different places.

- 5) **Excess Policy:** Excess fire policy may be taken out by a businessman whose stock fluctuates from time to time. He takes out one policy for an amount below which his stock do not fall, another policy to cover the maximum additional amount by which the stock may rise on certain occasions. The first policy is called “First Loss Policy” and the second is called “Excess Policy”. For e.g. if the stock of merchant varies between Rs.50,000 and Rs.60,000, he may take :First Loss Policy” for Rs.50,000 and “Excess Loss Policy “ for Rs.10,000.
- 6) **Blanket Policy:** Blanket Policy is one common, integrated policy which covers all assets, fixed as well as current, of the policy holder.
- 7) **Reinstatement Policy:** Under this policy, the insurer pays the amount which is required to reinstate the property or assets destroyed by fire. The destroyed assets are replaced by the insurer. The possession of the destroyed/damaged assets is taken by the insurer.
- 8) **Comprehensive:** Comprehensive policy covers wide area of risk. Such policies are issued to cover risk such as fire, explosion, lighting, thunderbolt, strikes, and civil commotion and so on. It is one policy which gives protection in regard to various types of risks.

2) **MARINE INSURANCE:** Marine insurance is an agreement by which the insurance company or the underwriter agrees to indemnify the owner of a ship against risks which are incidental to marine adventure. Marine insurance gives protection to the owner of the ship as well as to the owner of the cargo. The protection is possible against the damages like fire, storm, sea water, gales and so on. Marine insurance includes cargo insurance, hull insurance and freight insurance as the cargo, the ship and the freight form the subject matter of insurance. Exporters, shipping companies or owners of ships are interested in marine insurance policies.

Marine insurance has wide coverage as a large variety of risks such as sinking or burning of the ship, damage or destruction of cargo due to collision of ship, jettisons i.e. throwing of cargo from the ship into the sea for saving the ship from sinking are covered. Thus the scope of marine insurance is wide and naturally different parties are interested in taking out marine policies.

TYPES OF MARINE INSURANCE:

- 1) **Voyage Policy:** A voyage policy is for one specific voyage. The cargo is insured for specific voyage i.e. for one trip only. The compensation is paid if the goods are loss or damaged in that particular voyage from one part to another. The cargo is insured for a specific voyage only. The time required for the voyage is

not taken into consideration in this policy. This policy expires after the completion of the journey of goods to the destination i.e. port of delivery. This marine insurance policy is popular among exporters.

- 2) **Time policy:** Time policy gives protection for a particular period of time. Here, goods are insured for a specific period (E.g. one year). Compensation is paid only when the loss occurs during that specific period of time. It is suitable mainly for hull insurance. However, it can be taken out for goods when the quantities involved are small.
- 3) **Mixed Policy:** fixed policy is a combination of two policies mentioned above i.e. Voyage and Time. Here the policy is for a specific period. For example, a ship may be insured for a voyage between Mumbai and London for a period of six months under a mixed policy.
- 4) **Valued Policy:** In valued policy, the amount of indemnify is fixed at the time of issuing the policy. Compensation of that amount is paid if the loss occurs. This brings simplicity in the payment of compensation as the value of the subject matter of insurance policy itself.
- 5) **Unvalued Policy:** In unvalued policy, the value for indemnity is ascertained if and when the loss actually occurs. The loss is assessed afterwards and the compensation is paid accordingly. This policy is opposite to the valued policy as the value of the subject matter of insurance is not specific in the policy itself. Unvalued policy is also called OPEN POLICY.
- 6) **Floating Policy:** Floating policy is for all vessels of the policy holder carrying goods from one port to another. Here, reference is not made to a particular vessel or a specific voyage. It is applicable to any vessel and compensation is paid as and when loss occurs. This policy is suitable to those cargo owners who are conducting import-export trade regularly. The goods may be carried on by any vessel but insurance cover is available for all shipments. This policy is also known as "Open Cover Policy".
- 7) **Fleet Insurance Policy:** Fleet insurance policy is one integrated policy and is designed to insure the whole fleet of liners or steamers owned by one shipping company. Here, the shipping company need not take separate insurance cover for its ships or steamers.
- 8) **Port Policy:** The port policy covers the ship when it is anchored at some port. This policy covers the risk of the ship at some port only during a specific period.

- 9) **Currency Policy:** Policy issued in foreign currency is called policy, where the sum assured is stated in foreign currency. The policy avoids fluctuations in foreign currencies because the claim amount is determined in foreign currencies up to the period of the policy.

3) ACCIDENT INSURANCE: In addition to life, fire, and marine insurance, there is one more category/type of insurance called miscellaneous/general insurance. This type includes motor car insurance, burglary insurance, crop insurance cattle insurance, sickness/disability insurance, fidelity insurance, accident insurance and so on. The field of insurance is expanding rapidly. Such expansion is responsible for the creation of general insurance as a new type of insurance. Accident insurance is covered under general insurance. Both life and property are exposed to risk of accidents. Such risk is covered by accident insurance. Accidents are possible in the case of railway trains, buses and so on. Everyone is exposed to different accidents. Here, insurance protection is now available. Accident insurance is a new branch of insurance developed in twentieth century.

Accident insurance policies are for specific purpose. For Example, Motor insurance is useful for the protection against loss due to motor accident. The owner of a motor car gets compensation when full insurance is taken in the case of trucks, tankers, and scooter and so on. In the case of Personal accident insurance, the insurance company agrees to pay compensation on the death or death or disability of the insured accidents. This policy gives protection against accidents. At present, companies issuing credit cards give the benefit of accident insurance to credit cardholders. In brief, accident insurance is insurance where insurer undertakes to compensate the loss due to accident to the property or assets. In India, personal accident insurance is necessary as accidents are increasing in railway and on roads. Road accident alone account for nearly 1.3 million serious injuries a year. Such accidents create many problems before the policyholder. He has to spend huge amount on his medical treatment. Secondly, he fails to get regular income due to his sickness. Thirdly, he finds it difficult to meet his formal family expenses due to limited savings. Accident insurance gives satisfactory answer to these questions. This suggests its need and importance.

Our life is now, exposed to accident of varied types. Such accidents are possible on roads, water and air causing death or partial or permanent disability. Accidents are also possible at home, office, schools, and hospitals and even in temples. Increase in the activities of terrorist lead to fatal accidents. The accident causes deaths and makes life of dependents miserable. Here, some protective device is necessary. Accident insurance is the only solution on all types of accident and also a sound protective device.

Accident insurance includes the following:

- a) Personal Accidental and Sickness Insurance.
- b) Motor Insurance.
- c) Burglary Insurance.
- d) Liability Insurance.
- e) Fidelity Guarantee Insurance.
- f) Cattle Insurance.
- g) Crop Insurance.

The procedure of taking out general insurance policies (including accident insurance) is identical to fire and marine policies. Similar is the position as regards submission and settlement of claim for compensation.

Q.4. EXPLAIN THE CIRCUMSTANCE UNDER WHICH SECRETARY HAS TO CORRESPOND WITH INSURANCE COMPANIES.

Ans:

- 1) Enquiry about policies regarding Fire and Marine Insurance
- 2) Asking for Fire and Marine Policies
- 3) Informing Insurance Company about damage of goods by Fire/Marine Loss
- 4) Settlement of Claim

Q.5) DRAFT A LETTERS:

1. Letter enquiring about Fire Insuring Policy.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 21st April, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Insurance Policy for Cotton Bales against Fire.

Sir,

The Board of Directors of our company proposes to insure stock of cotton bales with you company for the sum of Rs. 6,00,000/- against fire. Stock of bales are in our godown in the mill premises at Dadar, Mumbai.

Please send us detail information regarding various policies with the prescribed proposal form.

Thanking You,

Yours faithfully

Sd/-

Secretary

2. Letter asking for Fire Insurance Policy.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 5th January, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Fire Insurance for Factory.

Sir,

Our Board of Directors proposes to insure building with machineries against fire for two year.

The duly completed form is sent along with following documents.

- 1) Surveyor's Report.
- 2) Invoice of showing the value of Machinery.
- 3) Cheque No. 212373 for Rs. 10,000/- on Bank of Baroda.

You are requested to issue policy for one year at earliest possible.

Thanking You,

Yours faithfully

Sd/-
Secretary

3. Letter informing Insurance Company regarding Loss by Fire.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 15th May, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Sub.: Loss by Fire

Ref.: Fire Policy No.: 142/2/D

Dear Sir,

I regret to inform you that fire broke out last night at 11.00 p.m. in our godown situated at MIDC area, Plot No. 9, Bypass Road, Amravati.

The fire was first noticed by night watchman Mr. Ravi Verma. He informed immediately to fire brigade which arrived in few minutes. I also reached the spot as soon as I received the message from the watchman. With hard efforts the fire was brought under control after two hours. Whole stocks of papers have been destroyed by fire and nothing could be saved by possible best efforts.

Estimated loss is of Rs. 3, 00,000/-. I request you to send your surveyors to assess the loss. Kindly also send you prescribe form of claims.

Thanking You,

Yours faithfully

Sd/-

Secretary

Encl.: 1. Statement of Stock

2. Fire Brigade Report

3. Police Enquiry Report.

4. Letter to Insurance Company requesting for settlement of claim under fire Insurance.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: 15th June, 2014

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Sub.: Request for Settlement of Claim.

Ref.: Fire Policy No. 142/2/D

Sir,

Please refer to our letter dated 15th May, 2014 informing about loss of goods by fire at our godown. The said goods were insured against above policy.

Your surveyor visited our godown and inspected loss of property on 18th May, 2014.

Claim form duly completed and signed is sent to you along with surveyor's report and necessary document.

You are requested to settle the claim as early as possible.

Thanking You,

Yours faithfully

Sd/-

Secretary

Encl.: 1. Copy of Claim Form

2. Copy of Surveyor's Report

5. Letter asking for Marine Insurance Policy.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: _____

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Subject: Insurance Cover for Readymade Garments.

Dear Sir,

We have received the order for exporting "Readymade Garments" amounting to Rs. 5, 00,000/- to M/s H. International, New York.

We therefore request you to issue comprehensive policy covering all possible risks. We also request you to send your representative to discuss the terms & conditions for the same along with proposal form at your earliest.

Thanking You,

Yours faithfully

Sd/-

Secretary

6. Letter to the insurance company in respect of Marine Loss.

MAYURESH INTERNATIONAL LTD.

Required office-09, D.N. Road, Nariman point, Mumbai-400 021.

Tel. No. 22334455

Telegram: 'Mayuresh'

Fax No. 22334545

Email: mayuresh@gmail.com

Ref. No. _____

Date: _____

Mr. /Mrs. _____

7, Sea view,

Marine Drive,

Mumbai 400 020

Sub.: Claim under Marine Loss

Ref.: Policy No. _____

Dear Sir,

We regret to inform you that Ship S.S. Jalpari on its voyage from Mumbai to New York, carrying shipment of Readymade Garment insured under Comprehensive policy no. _____ has been damaged due to heavy cyclone on _____

(You must have gone through the news) & the entire stock was destroyed.

We requested you to register our claim of Rs. 5, 00,000/-. The claim papers along with surveyor's report, declaration of Nagarjun Shipping Company & Insurance policy is sent herewith.

You are requested to take this matter immediately & settle the claim at an earliest.

Thanking You.

Yours faithfully

Sd/-

Secretary

Encl.: As above

OBJECTIVE**Q.1. FILL IN THE BLANKS**

1. The principle of indemnity is not applicable to **(Life Insurance)**
2. Insuring the same goods with two insurers is an instance of **(Double Insurance)**
3. There are two parties to an insurance contract and **(Insurer, Insured)**
4. A contract of reinsurance is also a contract of **(Indemnify)**
5. Insurable interest must exist in **(every insurable contract)**
6. Policy converting different goods at different places is **(Floating Policy)**
7. Insurance contract being as soon as **(Premium is paid)**
8. is an application for the issue of an insurance policy. **(The proposal form)**
9. is a contract between two insurance companies/two insurers. **(Reinsurance)**
10. is a kind of marine policy which covers risk for a fixed period. **(Time Policy)**
11. is a kind of marine policy which covers risk for a fixed route. **(Voyage Policy)**
12. In the case of insurable interest must exist both at the time of contract as well as at the time of the loss. **(Fire Insurance)**

Q.2. MATCH THE PAIRS.

Group A	Group B
1. Fire Insurance 2. Floating Policy 3. Implied Warranty 4. Loan Value 5. Marine Insurance	a. Vessel must be sea worthy b. Subrogation c. Fraction of total premium d. Covers many shipments e. Contract of indemnity f. Fire insurance g. Transfer of risk

Ans: (1 - b, 2 - e, 3 - a, 4 - c, 5 - g)

Q.3. SUGGEST A WORD.

1. The document which contains terms and condition of insurance. – **Insurance Policy**
2. The kind of marine policy which covers risk for a fixed period. – **Time Policy**
3. The principle of Insurance which is not applicable to life Insurance. – **Principle of indemnity**
4. The policy under which cargo is insured for a specific voyage – **Voyage Policy**
5. The kind of marine policy which covers the risk for a fixed route. – **Voyage Policy**
6. The policy in marine Insurance under which the entire premium amount is paid at beginning of the policy. – **Fire/Marine Policy**
7. Port of destination for each voyage. – **Voyage Policy.**
8. The type of policy under which the entire premium amount is paid at the beginning of the policy. – **Fire/Marine Insurance**
9. The principle of insurance under which the insurers agrees to protect the insured against the actual losses. – **Principle of indemnity**
10. An Insurance contract in which the principle of indemnity is not applicable. – **Life Insurance**

