

Idhaya College for Women Kumbakonam



PG & Research Department of Commerce

II BCom

Company law - 16CACCM1D

UNIT - I – V

(2 Marks Q & A)

**Mrs. V.Muthamilselvi,
Assistant Professor of Commerce,
Idhaya College for Women,
Kumbakonam.**

UNIT-I

1. Define company.

Section 2(20) of the companies Act,2013,defines the term “company “as follows “company means a company incorporated under this Act or under any previous company law”

2. What are the types of companies?

- Royal Chartered Companies.
- Statutory Companies.
- Registered or Incorporated Companies.
- Companies Limited by Shares.
- Companies Limited by Guarantee.
- Unlimited Companies.
- Public Company (or Public Limited Company)
- Private Company (or Private Limited Company)

3. What are the stages of formation of company?

- Promotion.
- Registration or incorporation.

4. Who are called promoters?

A promoter, although the term creates connotations of someone in the building and construction industry, is actually a generic term associated with the person who starts a business

5. What are the duties of promoters?

Promoters' duties are the same as a person who acts on behalf of another person without a contract of employment, and fundamentally undertakes not to deceive and to exercise reasonable care and skill. He may be made liable for misrepresentation and fraud in prospectus.

6. What is the process of incorporation of company?

The incorporation of a company refers to the legal process that is used to form a corporate entity or a company. These corporations can be identified with terms like 'Inc' or 'Limited' in their names. It becomes a corporate legal entity completely separate from its owners.

7. What are the documents required for the incorporation of company?

Documents Required for Company Registration

- Passport.
- Election Card or Voter Identity Card.
- Ration Card.
- Driving License.
- Electricity Bill.
- Telephone Bill.
- Aadhaar Card.

8. What is a statutory company?

Statutory companies are public enterprises brought into existence by a Special Act of the Parliament. The Act defines its powers and functions, rules and regulations governing its employees and its relationship with government departments.

9. What is meaning of private limited company?

A private limited company, or LTD, is a type of privately held small business entity, in which owner liability is limited to their shares, the firm is limited to having 50 or fewer shareholders, and shares are prohibited from being publicly traded. A company becomes an independent legal structure when it incorporates.

10. What is meaning of public limited company?

A company whose securities are traded on a stock exchange and can be bought and sold by anyone. Public companies are strictly regulated, and are required by law to publish their complete and true financial position so that investors can determine the true worth of its stock (shares). Also called publicly held company.

11. Define Memorandum of Association.

According to the companies Act, 2013, “memorandum” means “memorandum of association of a company as originally framed or as altered from time to time in pursuance of any previous company law or of this Act.”

12. What are the contents of Memorandum of Association?

Memorandum of Association is the most important document of a company. It states the objects for which the company is formed. It contains the rights, privileges and powers of the company. Hence it is called a charter of the company.

13. What are the clauses of Memorandum of Association?

- Name Clause
- Situation Clause
- Objects Clause
- Liability Clauses
- Capital Clause
- Association Clause

14. Define Articles of Association.

According to Section 2(5) of the Companies Act, 2013, 'articles' means the articles of association of a company as originally framed or as altered from time to time or applied in pursuance of any previous company law or of this Act.

15. Write any five contents of Articles of Association.

- Directors.
- General meetings.
- Accounting and auditing.
- Shareholders.
- Lien of shares.
- Transfer and transmission of shares.
- Forfeiture and surrender of shares.
- Conversion of shares in stock.

16. What is meant by Doctrine of ultra vires?

The Doctrine of Ultra Vires is a fundamental rule of Company Law. It states that the objects of a company, as specified in its Memorandum of Association, can be departed from only to the extent permitted by the Act.

17. What are the exceptions of Doctrine of ultra vires?

An act intra vires of the company but outside the authority of the directors may be ratified by the shareholders. An act intra vires of the company but done in an irregular manner. It can turn into a valid act by shareholders' consent.

18. Define prospectus.

The Companies Act, 2013 defines a prospectus under section 2(70). Prospectus can be defined as "any document which is described or issued as a prospectus". This also includes any notice, circular, advertisement or any other document acting as an invitation to offers from the public.

19. What is meant by statement in lieu of prospectus?

The Statement in Lieu of Prospectus is a document filed with the Registrar of the Companies when the company has not issued a prospectus to the public for inviting them to subscribe for shares. It is similar to a prospectus but contains brief information.

20. What are the types of prospectus?

- Red Herring Prospectus.
- Shelf Prospectus.
- Abridged prospectus.
- Deemed Prospectus.

UNIT-III

21. What do you mean by share capital?

Share capital refers to the funds that a company raises in exchange for issuing an ownership interest in the company in the form of shares. However, the holders of preference shares do not usually have any voting control over the affairs of the company, as do the holders of common stock.

22. What are the types of share capital?

- Registered, Authorised or Nominal Capital
- Issued Capital
- Unissued Capital
- Subscribed Capital
- Called up Capital
- Uncalled up Capital
- Paid up Capital
- Reserve Capital or Reserve Liability

23. What are the two types of shares?

As per The Companies Act, a company can issue two types of shares; preference shares, and equity shares (also called ordinary shares). Thus, the preference shares can be participating and non-participating. Similarly, these shares can be cumulative or non-cumulative, and redeemable or irredeemable.

24. What do you mean by shares?

A share is a single unit of ownership in a company or financial asset. A firm's authorized capital refers to the maximum amount in shares it is allowed to sell. When you buy a share in a company, you become part-owner of that firm. People who own shares in a company are called shareholders or stockholders.

25. What is equity shares?

Equity shares are also known as ordinary shares. They are the form of fractional or part ownership in which the shareholder, as a fractional owner, takes the maximum business risk. The holders of Equity shares are members of the company and have voting rights.

26. What is preference shares?

Preference shares are shares in a company that are owned by people who have the right to receive part of the company's profits before the holders of ordinary shares are paid. They also have the right to have their capital repaid if the company fails and has to close.

27. What are the borrowing powers of the company?

- Every business requires a lot of financial amounts to operate effectively.
- Borrowing can be defined as a means through which Companies arrange financial funds through external sources like bank loans, shareholders, public investment, etc

28. What are the restrictions on the borrowings power of the company?

A public company can borrow only after the receipt of Commencement Certificate. [Section 149(1)]. But a Private company can borrow immediately after the incorporation The Board of Directors may borrow moneys by passing a resolution passed at the meetings of the Board.

29. What are the types of borrowings?

- Payday loans.
- Plastic cards. Introductory information about the various types of plastic cards available, covering credit cards, store cards and charge cards, and prepayment cards.
- Loans.
- Hire purchase and conditional sale.
- Bank overdrafts.
- Mortgages and secured loans.
- Mail order catalogues.
- Pawnbrokers.

30. What is ultra vires of borrowings?

Borrowing by a company shall be deemed to be ultra vires where the company borrows in spite of no power to borrow or borrows beyond the limit fixed by the Memorandum or Articles. Any such loan to the company is null and void and does not create an actionable debt.

UNIT – IV

31. Define meeting.

According to section 96[i] of the companies Act 2013, every company public and private company is required to hold one general meeting in a year supervised by its directors to

evaluate the progress of the company and plan future course of action which is known as annual general meeting.

32. What are the types of meeting?

- Statutory meeting
- Annual general meeting
- Extraordinary meeting
- Board of directors meeting

33. What is meant by Annual general meeting?

An organization may conduct its business at the annual general meeting. The business may include electing a board of directors, making important decisions regarding the organization, and informing the members of previous and future activities.

34. What is meant by extraordinary general meeting?

An extraordinary general meeting, commonly abbreviated as EGM, is a meeting of members of an organisation, shareholders of a company, or employees of an official body that occurs at an irregular time.

35. What is meant by Annual general meeting?

An annual general meeting (AGM) is a mandatory yearly gathering of a company's interested shareholders. At an AGM, the directors of the company present an annual report containing information for shareholders about the company's performance and strategy.

36. What is meant by statutory meeting?

Statutory Meeting is the first meeting of the shareholders of a public company. It must be held within a period of not less than one month nor more than 6 months from the date at which the company is entitled to commence business. It is held only once in the lifetime of a company.

37. Who is called proxy?

The representative may be another member of the same body, or external. A person so designated is called a "proxy" and the person designating him or her is called a "principal". Proxy appointments can be used to form a voting bloc that can exercise greater influence in deliberations or negotiations.

38. What is meant by minutes in meeting?

Minutes, also known as minutes of meeting, protocols or, informally, notes, are the instant written record of a meeting or hearing.

39. What is an agenda of a meeting?

An agenda is a list of meeting activities in the order in which they are to be taken up, beginning with the call to order and ending with adjournment. It usually includes one or more specific items of business to be acted upon. It may, but is not required to, include specific times for one or more activities.

40. What is meant by resolution?

A resolution is a legally binding decision made by limited company directors or shareholders. If a majority vote is achieved in favour of the decision, a resolution is 'passed'. There are two types of resolution they are special resolution and ordinary resolution.

41. What is meant by quorum?

A 'Quorum' in simple words means the minimum number of members that have to be present. Under the Act, the quorum for a General Meeting, a Board Meeting and an Extraordinary General Meeting is enumerated within its provisions. Quorum Required for a General Meeting. Quorum Required for a Board Meeting.

UNIT- V

42. Define winding up.

As per Section 2(94A) of the Companies Act, 2013, “winding up” means winding up under this Act or liquidation under the Insolvency and Bankruptcy Code, 2016. Thus, winding up ultimately leads to the dissolution of the company.

43. Write the modes of winding up.

- Petition
- Powers of Court on Hearing Petition (Sec. 443)
- Consequences of Winding-up Order
- Procedure of Winding-Up Order by the Court [Official Liquidator (Sec. 448)]
- Circumstances
- Types of Voluntary Winding-Up
- Consequences of Winding-Up
- Winding-Up of Unregistered Companies

44. What are the reason for winding up of company?

There may be several reasons for winding up of the company including mutual agreement among stakeholders, loss, bankruptcy, death of promoters etc. Winding up is the process by which the company is put to an end that is the process through which its corporate existence is ended and it is thereafter finally dissolved.

45. Who is an official liquidator?

There may be several reasons for winding up of the company including mutual agreement among stakeholders, loss, bankruptcy, death of promoters etc. Winding up is the process by which the company is put to an end that is the process through which its corporate existence is ended and it is thereafter finally dissolved.

46. Who appoints a liquidator?

A liquidator is appointed by the directors in a MVA or a CVL, which allows the directors to retain an element of control over the process. An official receiver is appointed as liquidator by the Court when a winding-up order has been granted as a result of a creditor(s) forcing a company into compulsory liquidation.

47. What is creditor's voluntary winding up?

A creditors' voluntary winding up is the winding up of a company by a special resolution of the shareholders under the scrutiny of the company's creditors. This occurs when the company is insolvent. A court has already ordered that a company be wound up; or. An administrator has already been appointed.

48. What is member's voluntary winding up?

A members' voluntary winding up is possible only when the company is solvent and is able to pay its debts in full. In this case, it is not necessary for the members to consult the creditors or to call their meeting. A Declaration of Solvency should be made by the Directors.

49. What are the powers and duties of liquidators?

The liquidator has a host of powers, depending on the type of liquidation that he or she is administering. Their main responsibility is to convert any remaining assets or property of the company into cash to repay as many creditors as possible.

50. What are the types of liquidation?

- A Creditors' Voluntary Liquidation ("CVL") A Creditors' Voluntary Liquidation ("CVL") is an insolvent Liquidation, meaning a company is unable to pay its debts i.e. is considered insolvent.
- A Members' Voluntary Liquidation ("MVL")
- Compulsory Liquidation.
