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12th - Quarterly Examination - 2018

Time : 2.30 hrs.

COMMERCE

Max. Marks : 90

Instructions : 1) Check the question paper for fairness of printing. If there is any lack of fairness, inform the Hall Supervisor immediately. 2) Use Blue or Black ink to write and underline and pencil to draw diagrams.

SECTION - I**Note :** i) Answer all the questions**20 x 1 = 20**

ii) Choose the suitable answer from the given four alternatives and write the option code and the corresponding answer.

1. What is the advantage of sole proprietorship
a) Small capital b) hasty decision c) limited capital d) limited managerial liabilities
2. Registration is compulsory in case of.....
a) a sole trader b) a partnership c) a joint stock company d) a joint Hindu family
3. One of the main objective of business organization is
a) provides employment b) provides goods and services c) earn profit d) economic development
4. Members by the birth is main feature in
a) sole trader b) joint hindu family c) co – operative societies d) partnership
5. Sole trading business can be started by
a) at least two persons b) at least 7 persons c) any one person d) 3 persons
6. Decision making process in sole trading business
a) quick b) slow c) neither quick or slow d) none of the above
7. A sole trader
a) can not keep his business secrets b) can keep his business secrets c) none of the above
8. The capital of the joint stock companies is raised
a) selling shares b) borrowing from abroad c) borrowing from LIC d) the funds released by RBI
9. An England partnership act is established in the year
a) 1907 b) 1949 c) 1932 d) 1956
10. The liability of a partner is
a) Joint and several b) limited c) unlimited d) none of the above
11. In India registration of partnership is
a) Compulsory b) not compulsory c) discretionary d) none of the above
12. A partnership created by
a) Mutual love and affection b) family relationship c) agreement d) none of the above
13. The minimum number of members for a public limited company is
a) 2 b) 3 c) 7 d) 10
14. Table A of company act is a
a) model of minute book b) model of article association c) model of balance sheet
d) model of memorandum association
15. A company is created by
a) Law b) The Government c) the rich person d) the entrepreneur
16. Debenture holders of a company are its
a) Creditors b) embers c) credit customer d) borrowers
17. The value of qualification share of director in a public limited company shall not exceed.....
a) 5000 b) 50000 c) 500000 d) 500
18. The overall maximum managerial remuneration in a public limited company shall not exceed
a) 11% of net profit b) 11% of net capital c) 5% of net profit d) 5% of net capital
19. A person can hold office as director in not more than companies
a) 10 b) 15 c) 20 d) 5

Time : 02:30:00 Hrs

Total Marks : 90

TWO MARKS

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1) What do you mean by co-ordination?

The various activities of an undertaking or organisation should be co-ordinated to secure the desired results. The different departments may have to functions frequently in close consultation with other departments in a departmental store. The purchase departments and sales department activities must be well co-ordinated to increase profit.

2) Give five examples of Multinational companies

Examples of multinational companies are:

- (i) Unilever Limited -British company;
- (ii) Union Carbide -American company;
- (iii) International Business Machine (IBM) - American company;
- (iv) Philips - Dutch company; and
- (v) Coca cola corporation - American company.

3) Define “sole trader”.

According to P.K.Ghosh and Y.K.Bhushan, " The sole proprietorship is a form of organization in which an individual introduces his own capital, uses his own skill and intelligence, and is entirely responsible for the results of its operations."

4) What is unlimited liability?

When the liability of the proprietor for the debts of the business is not only limited to business assets but also extends to his personal property, it is known as unlimited liability. The creditors have the right to recover their dues even from the personal property of the sole proprietor in case the business assets are not sufficient to pay their debts.

5) Who is a dormant partner?

The partners who merely contribute capital and do not take active interest in the conduct of the business of the firm are called sleeping or dormant or financing partners.The liability of such partners is unlimited.

6) Define implied authority of a partner

Each and every partner is considered to be an agent of the business. Unless otherwise agreed all the partners are entitled to take part in the management of the business. Every partner as an agent can bind the firm by his acts done in good faith and on behalf of the firm. This is known as the implied authority of partnership. The authority of a partner to bind the firm is called 'implied authority'.

7) What is share premium ?

A company can issue shares at a premium. It means that the issue price can be higher than the face value of the shares. In other words, the difference between the issue price and the face value constitutes share premium. For instance when a share of the face value of Rs. 10 is issued at Rs. 12, share premium amount is Rs. 2 share premium is usually collected along with allotment money.

8) What is cumulative preference share?

(i) In case dividend is not declared, because of inadequate profit, the right to dividend for that year does not lapse in the case of cumulative preference shares.

(ii) Dividends not declared and paid get accumulated so that they may be paid out of profits of subsequent years as arrears of dividend before any dividend is paid to equity shareholders.

9) What is proxy?

The term 'proxy' may refer to a person who is authorised by a member for the purpose of attending a meeting. It also means the instrument by which the proxy is authorised.

10) Who is an alternate director?

If a director is absent for valid reasons, for a period of not less than three months from the date in which meetings of the Board are ordinarily held, the board of directors can appoint a person to act as director in his place. Such a person is called Alternate director. It should be empowered by the Articles of Association

KEY ANSWER

12th Standard

COMMERCE

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THREE MARKS

0

- 1) State the meaning of Board organisation

Board organisation is a public enterprise created by the government, to provide service to the public. In this organisation, management is carried on by a government-nominated independent Board. The Board organisation has its own rules and regulations. Tamil Nadu Electricity Board, Tamil Nadu Housing Board, Tamil Nadu Water and Drainage Board are the examples of Board Organisation.

- 2) State the various kinds of non-corporate enterprises.

Non-corporate business enterprises may be organized as:

1. Sole proprietorship
2. Partnership or
3. Joint Hindu Family Business

- 3) What is joint and several liability?

The liability of partners is not only unlimited but also joint and several Each and every partner has unlimited liability for business debts.If the assets of partnership are not sufficient to repay the business debts in full the creditors of partnership firm can claim their dues from the private assets against the private properties of anyone of the partners to get back their dues.such a liability of partners is called Joint and several Liability.

- 4) What do you mean by a government company ?

(i) A government company is one in which not less than 51% of the paid up capital is held by the central government or by anyone or more state governments or partly by the central governments and partly by one or more state governments

(ii) Examples: Bharat Heavy Electricals Limited, Steel Authority of India Limited. etc.,

- 5) What do you mean by issue of shares at a discount?

(i) When shares are issued at a price less than its face value, it is called issue of shares at a discount.

(ii) When a share of face value of Rs.10 is issued for Rs.8, share is said to be issued at a discount of Rs.2.

(ii) In other words, the issue price minus the face value of the share forms the discount amount.

- 6) What is proxy?

The term 'proxy' may refer to a person who is authorised by a member for the purpose of attending a meeting. It also means the instrument by which the proxy is authorised.

7) What do you mean by quorum?

The word 'quorum' means the minimum number of members required to be personally present at a meeting for validly transacting any business. Usually the quorum is fixed by the Articles. Quorum should be present throughout the meeting.

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8) Bring out the difference between a dissolution of partnership and dissolution of partnership firm.

Dissolution of partnership means the termination of the original partnership agreement. The business will continue with the new agreement after a dissolution of an old partnership. Dissolution of partnership firm means putting an end to the relationship among the partners. On the dissolution of a firm, partnership business comes to an end.

9) What are the disqualifications of a director?

The following persons are disqualified for appointment as director of a company.

(i) A Person of unsound mind.

(ii) An undischarged insolvent.

(iii) Any person who has applied for being adjudged as insolvent.

(iv) Any person who had been sentenced with imprisonment for an offence involving moral turpitude for a period exceeding 6 months and a period of 5 years has not elapsed since the date of expiry of the sentence.

(v) A person who has not paid the call money and the calls in arrear are outstanding for more than 6 months.

(vi) Any person disqualified by a court for appointment as director for having committed fraud in management.

10) Write notes on Annual General Meeting.

Every company is required to hold an annual general meeting in addition to any other meetings. The first annual general meeting must be held within a period of 18 months from the date of its incorporation.

Subsequently, the interval between two annual general meetings must not be more than 15 months.

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KEY ANSWER

12th Standard

COMMERCE

Time : 02:39:00 Hrs

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1) a) Explain briefly the principles of organisation.(Any Five)

(i) Unity of objectives:

1. The term objective means a goal to be achieved.
2. The organization structure depends upon the objectives of the enterprise.
3. Therefore, the objectives of an enterprise must be clearly fixed.
4. Every part of the organization should be designed to facilitate the accomplishment of common objectives.

(ii) Unity of command:

1. Each individual should receive orders from only one boss.
2. A person cannot serve under two masters.
3. He is accountable to his immediate superior.
4. Dual subordination should be avoided.
5. It creates disorder and confusion and leads to indiscipline.

(iii) Unity of Direction:

1. There must be one head and one plan for a group of activities directing towards the same objectives.
2. This is necessary to ensure completion of tasks and co-ordination of activities.

(iv) Span of control:

1. No executive in the organization should be required to supervise more subordinates than he can effectively manage.
2. An executive should be asked to supervise a reasonable number of subordinates.

(v) Scalar principle:

1. Line of authority must proceed from the highest executive to the worker at the bottom level through a downward flow.
2. This is known as "chain of command".
3. The superior has a direct authority over his immediate subordinate.
4. He is responsible for efficient performance of the work entrusted

(OR)

b) Write short notes on Joint hindu family business

India is unique in the system of Joint Hindu families have been engaged in occupations like agriculture, handicrafts, small industries etc. These business units are known as Joint Hindu Family Business. This system is found only in India.

The system of Joint Hindu Family came into existence by the operation of Hindu law. There will not be any agreement among members. The firm is owned by the members of the family who have inherited their ancestral property. Their membership is conferred upon the members by virtue of their birth in the family. The head of the family is known as "KARTA". The members are called coparceners. It is regulated by the provisions of Hindu Law.

According to Hindu Succession Act, 1956, a coparcener, will have a share in the coparcenaries property after the death of the coparcener. Since 1985, female members of the family are also eligible to get a share in the property of the family.

According to 'Mitakshara Law', only the male members in the family get the right of inheritance by birth. It is applied throughout India except Assam and West Bengal. According to 'Dayabhaga Law', the right of property devolves on the coparceners by succession and not by birth.

2) a) Discuss the merits of sole trading form of business(any 10)

Merits:

(i) Easy formation:

1. Sole proprietorship is the only form of organisation where no legal formalities are required.
2. No agreement is required and registration of the firm is not essential.
3. Anybody willing to start a sole trading concern can do so immediately and without much legal formalities.

(ii) Direct motivation:

1. The entire profit of the business goes to the sole trader.
2. Nobody can claim a share in the profit.
3. It motivates him to expand his business activities.

(iii) Flexibility :

1. It is a highly flexible type of organisation.
2. The proprietor can adapt and adjust the activities of the business to the changing trends and market conditions because the sole trader is the sole owner of his business.

(iv) Retention of business secrets:

1. The maintenance of utmost secrecy is of vital importance for the success of a business. A sole trader can maintain business secrets:
2. Being the sole proprietor, he is not expected to share his trade secrets with anybody else.

(v) Quick decision:

1. The sole proprietor is his own boss and need not consult others while making any decision. He exercises exclusive control over the affairs of the firm.
2. Therefore, he can take quick decision and implement them without any delay.

Demerits:

(i) Limited capital:

1. The resources of a sole proprietor are limited.
2. He depends only on his personal resources and his borrowing capacity.
3. It is obvious that financial resources of a single person will be insufficient for business expansion.
4. Limitation of finance is a major handicap for sole trade business.

(ii) Limited managerial ability:

1. The managerial ability of a sole trader is limited because a person may not be an expert in each and every field of business such as purchasing, selling, accounting, etc.
2. The limited managerial capacity may hinder the growth of the business.

(iii) Unlimited liability:

The unlimited liability of a sole proprietor may affect his enthusiasm and restrict introducing novel ideas in business.

(iv) Short life:

1. Anything which affects the personal life of a sole trader affects his business also.
2. Any prolonged illness or death of the sole trader brings the affairs of his business to a standstill.

(v) Hasty decisions:

1. The chances of wrong decision making are quite high in a sole trader business.
2. This is because of the fact that the sole trader takes all the decisions of the business for himself without any assistance.
3. This may lead to wrong decisions.
4. The hasty decisions may result in loss and affect the sole trader.

(OR)

b) Explain the role of sole trading concern in the society.

Role of sole proprietorship in the society: Consumers are the kings. They decide success of a business. Their needs, desires and expectations are to be satisfied by the businessmen. Sole proprietorship occupies a pivotal role in satisfying the multifarious needs of consumers regarding goods and services. This form of organisation has social desirability. It provides valuable services to the society. They are as follows:

(i) Solution to unemployment problem:

Sole trader business organisation gives large employment opportunities to the less educated and uneducated persons and helps to reduce the unemployment problem in the society

(ii) Provides investment avenues:

Sole trader organisation provides a chance for small investors who has small amount of capital to utilise in the productive line

(iii) Provisions of goods at low price:

Goods are sold by sole traders at a price lesser than the maximum retail price (MRP) mentioned on the packages of the goods. This is possible due to inexpensive management

(iv) Helps to small producers:

Most of the goods sold by sole traders are procured locally from local producers. Thus small local producers are benefited by the sole traders.

(v) Supply of quality goods: .

Sole traders sell goods of high quality nowadays to maintain their reputation. They even accept return of defective goods. This ensures enhancing the welfare of the public.

(vi) Philanthropic Activities:

Sole traders form small trading organisation among themselves and undertake a number of social welfare activities such as conducting eye camps, maintaining parks, provision of barricades on the roads, supplying furniture to schools etc.

(vii) Equal distribution of income and wealth:

Equal distribution of income and wealth is ensured as there are more entry of sole proprietors in trading activities.

(viii) Helpful to consumers:

The sole traders supply the goods to the consumers at their doorsteps. So the time and energy of the consumers are saved.

3) a) Describe the various kinds of partners.

(i) Active partner:

1. A partner who takes active part in the management of the partnership firm is known as active or working or managing or general partner.
2. His liability is unlimited.

(ii) Dormant partner or sleeping partner:

1. Partners who merely contribute capital and do not take active interest in the conduct of the business of the firm are called sleeping or dormant or financing partners.

(iii) Nominal or ostensible partner:

1. He is a partner who neither contributes capital nor takes any part in the management of the firm.
2. He lends his name to be used as partner in the business to increase the reputation of the firm.
3. They are not eligible for a share in the profit.
4. They are also liable to the creditors for the debts of the firm.

(iv) Partners in profit only:

1. A person who shares the profit of a firm but does not shares the loss, is called "partner in profit only".
2. Usually he has no voice in the management of the firm.
3. But his liability to third parties is unlimited.

(v) Partner by estoppel:

1. A person may not be really a partner in the business.
2. But by his behaviour he makes outsiders believe that he is a partner in the business.
3. Then, he is liable to such outsiders who advances money to the firm or enter into a contract under such false belief.
4. Such a person is known as "partner by estoppel".
5. He cannot, later on, deny that he is not a partner.

(OR)

b) Explain the rights(any 5) and duties(any 5) of partners

Rights of partner:

- (i) Every partner has a right to take part in the conduct and management of the business.
- (ii) Every partner has a right to express opinion on any matter related to the firm.
- (iii) Every partner has a right to be consulted before taking important decisions.
- (iv) Every partner has a right to inspect and take copy of books of account and records of the firm.
- (v) Every partner has the right to an equal share in the profits of the firm unless otherwise agreed by the partners.
- (vi) Every partner has the right to receive interest on loans and advances at the rate of 6% per annum.
- (vii) Every partner has the right to be indemnified for the expenses incurred and losses sustained by him in the ordinary conduct of the firm's business.
- (viii) Every partner has an equal right to use the assets of the firm for its business.
- (ix) No new partner can be admitted into partnership without the consent of other partner.
- (x) Every partner has a right to retire from the firm

Duties of partner:

The duties of partners can be classified into

- (i) Absolute duties and (ii) Qualified duties

(i) Absolute duties:

Absolute duties are fixed by law which cannot be violated by partners agreement. These duties are applicable to all partnership.

1. Every partner must act diligently and honestly in the discharge of his duties to the maximum advantage of all partners.
2. Every partner must act in a loyal and faithful manner towards each other.
3. Every partner must act within the scope of the authority entrusted to him.
4. Every partner is bound to share ~helosses of the firm equally unless otherwise agreed.
5. Every partner must indemnify the firm against loss sustained due to his wilful negligence in the ordinary course of business.

(ii) Qualified duties:

Qualified duties given in the Act can be modified by an agreement of partners entered into. Liabilities of partners :

1. Every partner is liable for the debts of the firm to an unlimited extent, jointly and severally.
2. A retiring partner is liable for all the debts incurred before his retirement.
3. An incoming partner is liable only for the debts incurred by the firm after his admission into the partnership.
4. In case of deceased partner, his legal representatives are liable only for the debts incurred by the firm before his death.
5. In the case of minor partner, he is not personally liable for the debts of the firm. Only his share in the profits and assets of the partnership is liable for the debts of the firm.

4) a) Bring out the distinction between a company and a partnership(any 10).

S.No	Basis of difference	Partnership Firm	Joint Stock Company
1	The Acts	It is governed by the Indian Partnership Act 1932.	They are governed mainly by the provision of the Companies Act 1956
2	Registration	Registration with the Registrar of Firm is only optional.	Registration with the Registrar of Companies is compulsory
3	Number of Members	A minimum of two person is necessary to form a partnership. The maximum is restricted to 10 in the case of banking business and 20 in other types of businesses	The minimum number of persons required for starting is 7 in the case of public limited company. The maximum number of member is restricted to 50 exclusive of present or past employee members in the case of private limited company and it is limitless for a public limited company.
4	Legal Status	It has no separate existence Partners collectively constitute the firm.	It is an artificial person created by law. Its existence is independent of its members
5	Liability	The Liability of a partner is joint, several and unlimited. The personal assets of the individual partners can also be attached for satisfying the firm's debts. Anyone partner can also be sued for this purpose.	The liability of the shareholder is limited to the unpaid amount of shares held. If the shares are fully paid up, no further liability is attached to the share holders

(OR)

b) Distinguish between shares and debentures(any 10)

S.No	Basis of difference	Shares [share holders]	Debentures [Debentures holders]
1	Rights	Shares represent a part of the share capital of the company. The shareholders are real owners of the company	Debentures constitute loan to the company. Debenture holder is only a creditor of the company
2	Payment of profit	Dividend is paid to the company only when there are adequate profits.	Interest is payable at stated intervals regardless of profit or loss. Directors have no discretion in the matter
3	Level of profit	While a fixed rate is paid on preference shares, the rate of dividend paid to equity shareholders changes with the level of profits	A fixed rate of interest is payable.
4	Approval	Dividend is payable only when it is recommended by the Board and approved by the general meeting of the shareholders	The question of getting approval for payment of interest does not arise
5	Payment of returns	Dividend paid is an appropriation of profit.	Interest paid is a charge on the profit.

5) a) Briefly explain the functions and duties of directors.

I. General Duties:

- (i) Duty of good faith: They must act bonafide in the interest of the company. They should not make any secret profits
- (ii) Duty of reasonable care: They must discharge their duties with care and diligence.
- (iii) Duties to attend the Board meeting: They must attend the Board meeting regularly,
- (iv) Duty not to delegate: They must perform the duties personally. They can delagate only certain functions as permitted by the articles.

II. Statutory duties:

Some of the important duties laid down in the Companies Act are listed below:

- (i) To sign a prospectus and deliver it to the Registrar before its issue to the public.
- (ii) To see that all moneys received from applicants for shares are kept in a scheduled bank.
- (iii) Not to allot shares before receiving minimum subscription.
- (iv) To forward a statutory report to all its members at least 21 days before the date of meeting.
- (v) To hold the meetings at least once in three months.
- (vi) If a director is interested in a contract, to disclose the nature of his interest.
- (vii) To call for annual general meeting.
- (viii) To file all statutory returns with prescribed authorities.

(OR)

b) Discuss the functions(any 5) and duties(any 5) of a company secretary

Functions of a company secretary:

- (i) As a head of the Secretarial department, the secretary controls and supervises the activities of the department under his control.
- (ii) The secretary arranges for the Board meeting, in consultation with the chairman of the Board, fixes a day, place and time of the meeting and prepares agenda and issues the notices of meetings.
- (iii) His functions in relation to issue of allotment letters, share certificates, dividend warrants, share transfers, forfeiture of shares, and a host of other things are also important.
- (iv) As a Chief Officer closely connected with the Board, he has to co-ordinate the work of different departments.
- (v) He has liaise between staff and directors, management and labour and other persons dealing with the company efficiently and effectively.

Duties of a company secretary:

The duties of a secretary can be classified into

- (i) Statutory duties (ii) General duties.

(i) Statutory duties:

1. To sign any document requiring authentication under any statute.
2. To arrange for filing statement in lieu of prospectus.
3. To deliver share or debenture certificate within 3 months of allotment or within 2 months of registration of transfer.
4. To file notice of situation of the registered office of the company.
5. To make a statutory declaration for getting certificate of commencement of business and file it with the Registrar.
6. To sign the annual return.
7. To send notices of general meetings to every member of the company.

(ii) General duties:

1. To discharge his duties most diligently and honestly and not to act beyond the scope of his authorities.
2. To maintain secrecy of confidential matters.

6) a) Discuss briefly the different kinds of companies.

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(OR)

b) What is a statutory meeting? List out the contents of a statutory report.

Statutory Meeting:

1. The first meeting of the shareholders of a public limited company which is mandatory as per the Companies Act is known as statutory meeting.
2. Every public limited company limited by shares and a guarantee company must compulsorily hold this meeting within 6 months and not earlier than one month from the date on which the company is entitled to commence business.
3. This is held only once in the lifetime of the company.

Statutory Report :

Along with the notice convening the statutory meeting, a report. called statutory report must also be sent to all the members at least 21 days before the date of meeting.

Contents of the Statutory Report :

1. Details of shares issued for cash and those issued for consideration other than cash.
2. Total amount of cash received on account of shares and other sources.
3. An abstract of receipts and payments up to a date within 7 days of the report.
4. An account or an estimate of the preliminary expenses.
5. Particulars of contracts for approval and proposed modifications
6. Details of underwriting contract not carried out and the reasons therefor.
7. Particulars of commission or brokerage paid or to be paid to directors on issue of shares or debentures.
8. Particulars about directors, managing directors, manager and secretary
9. Particulars of calls due from directors, managing director, etc.

b) Discuss the merits and demerits of company form of organisation :

Merits of the company form of organization:

(i) Stability (Perpetual life):

1. The company enjoys perpetual succession despite change in its membership or change in its Board of directors.
2. Large sized enterprises which take a long time, to reach profit earning stage can be started only in a company form which ensures long life.

(ii) Limited Liability:

1. The liability of a member of a joint-stock company is limited to the amount remaining unpaid on his shares.
2. Once the full value of the shares is paid, a shareholder will not be called upon to contribute anything further even if the assets are inadequate to meet business debts.
3. In view of these features of limited liability people come forward readily to invest in the shares of joint-stock companies.

(iii) Easy and speedy transferability of shares:

1. The fully paid up shares of a public limited company can be easily transferred from one person to another by following the procedure prescribed by the Companies Act, 1956.
2. This facility is another attraction for the investing public to subscribe to the shares of the company.

(iv) Professionalisation of management:

1. In a company form of organization, there is complete divorce between ownership and management.
2. Though shareholders are the real owners, they do not have any right to manage its affairs.
3. Management of a company is entrusted to a Board of Directors elected by the shareholders from among themselves.
4. The Board can secure the services of experts in various fields of production and management.

(v) Economies of large scale:

1. In view of the suitability of the company form of organisation for undertaking large sized industries, it can reap all the advantages of economies of scale.
2. Further, there is scope for tremendous growth through expansion of its activities as raising of capital is not a problem for sound companies. .

(vi) Better credit :

1. A company enjoys greater public confidence and reputation in the capital market as its functioning is subject to many legal restrictions, with a view to protecting the interest of all the shareholders.
2. In view of these merits, joint stock form of organization is very popular and is preferred to other forms especially for setting-up large sized industrial undertaking.

Demerits of the company form of organisation:

(i) Complicated legal formalities:

1. The legal formalities to be complied with at the time of forming a company are complicated and difficult.
2. Even after incorporation, its functioning is subject to several restrictions.
3. A number of documents have to be filed, with the Registrar of joint stock companies from time to time and every failure in this regard invites penalties.

(ii) Heavy cost of Floating a company:

1. At the promotion and incorporation stage, itself, the company has to get the services of specialized professionals.
2. Many documents are to be drafted and printed.

(iii) Separation of ownership and control:

Though divorce of ownership and control is an advantageous feature of a company form organisation it also acts as a set back in that the share holders are not entitled to participate directly in its management.

(iv) Fraudulent promoters:

1. Unscrupulous promoters may mobilise large capital through attractively designed prospectus, swindle the money and disappear, despite the stringent legal restrictions.
2. Shareholders lose their entire money.

(v) Oligarchic management:

1. In theory, the management of a company is democratic as it is in the hands of the Board of Directors who are elected by the shares holders.
2. However, in reality, it proves to be a case of oligarchy