

QUARTERLY COMMON EXAMINATION ANSWER KEY-2017

Maximum Marks: 200

Note: Answers written only in BLUE or BLACK in should be evaluated

PART-A

I.Choose the Correct Answers: (20x1=20)			II.Fill in the blanks: (20x1=20)	
1	C	DEPARTMENTAL ORGANISATION	21	DEPARTMENTATION
2	C	LIMITED CAPITAL	22	BOARD ORGANISATION
3	B	JOINT HINDU FAMILY BUSINESS	23	SOLE TRADER
4	D	BOARD ORGANISATION	24	PUBLIC COPORATION
5	C	UNLIMITED LIABILITY	25	OWNER OR SOLE OWNER
6	C	SMALL SCALE CONCERNS	26	UNLIMITED
7	B	CAN KEEP HIS BUSINESS SECRETS	27	20
8	C	NEED NOT REGISTERED	28	18
9	C	UNLIMITED	29	JOINT VENTURE
10	A	PRINCIPAL AND AGENT	30	ACTIVE PARTNER
11	A	1932	31	IMPLIED AUTHORITY
12	B	SECTION 44	32	PUBLIC COPORATION
13	C	LIMITED PARTNERSHIP	33	ARTICLES OF ASSOCIATION
14	A	AGREEMENT	34	CUMULATIVE PREFERENCE SHARES
15	C	MODEL OF ARTICLES OF ASSOCIATION	35	PROSPECTUS
16	A	CREDITORS	36	DEBENTURES
17	C	LIMITLESS	37	21 DAYS
18	D	ALL OF THESE	38	SHARE HOLDERS
19	B	RS 50 LAKH	39	IN AN AGREED RATIO
20	A	MANAGING DIRECTER	40	GOVERNMENT SERVANTS

		PART-B		
		Answer any 10 questions:		10x4=40
41	Define Organization. "Organisation is a harmonious adjustment of specialised parts for the accomplishment of some common purpose or purposes". <div style="text-align: right;">---Lewis H.Haney,</div>			
42	Scalar Principle Line of authority must proceed from the highest executive to the worker at the bottom level through a downward flow. This is known as 'chain of command'			
43	Give examples of multinational company 1. Unilever limited - It is a British company 2. Union caribide - It is an American Company 3. Philips - It is a Dutch Company 4. Coco Cola - It is an American Company			
44	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.			
45	Define partnership. Partnership Act of 1932, sec 4 defines partnership is "the relation between persons who have agreed to share the profit of a business carried on by all or any of them acting for all".			
46	difference between dissolution of partnership and dissolution of partnership firm.			
	Sl. No.	Topic	dissolution of partnership	Dissolution of Firm
	1.	Termination	Only one or more of the partners terminate their connections	All the partners terminate their connections
	2.	Ending	May or may not bring the business of the firm to an end	Brings the business of the firm to an end
	3.	Business condition	The business will continue even after dissolution	The business cannot be continued

47	<p>Define sole trader.</p> <p>According to P.K. Ghosh and Y.K. Bhushan, "The sole proprietorship is a form of organisation in which an individual introduces his own capital, uses his own skill and intelligence and is entirely responsible for the results of its operations."</p>	
48	<p>State the various kinds of non-corporate enterprises.</p> <p>Sole Trading Joint Hindu Family Partnership Firms</p>	
49	<p>What is a guarantee company ?</p> <ul style="list-style-type: none"> ➤ In a company limited by guarantee the liability of a shareholder is limited to the amount he has voluntarily undertaken to contribute to meet any deficiency at the time of its winding up. ➤ Such a company may or may not have a share capital. 	
50	<p>Forfeiture refers to confiscation of shares held by a member for non-payment of calls due. Once shares are forfeited, the holder of such shares is deprived of the membership of the company and even the amounts already paid on such shares will be retained by the company.</p>	
51	<p>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. 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.</p>	
52	<p>Government Company is also established under the Companies Act of 1956. It is a company in which not less than 51% of paid up share capital is held by the central government or by one or more state governments or jointly by the central and state governments.</p> <p>Example:</p> <ul style="list-style-type: none"> • Hindutan Steel Limited, • Bharath Heavy Electricals Limited, • Maruthi Udyog 	
53	<p>Who is an alternate director?</p> <p>The Board can appoint additional directors. They can fill up casual vacancy caused by death, resignation, etc. They can also appoint alternate director. If empowered by Articles, the Board may appoint an alternate director during his absence for a period of not less than 3 months from the date in which meetings of the Board are ordinarily held.</p>	

54	Managerial remuneration may take the form of monthly payments (salary), or a specified percentage of net profits or a commission, etc. This expression shall include the value of perquisites.	
55	A private limited company is a company which has a minimum paid up capital of rupees one lakh or such higher paid up capital, as may be prescribed.	
56	<p>Explain any two types of individualistic institutions</p> <p>1. Joint Hindu family business.</p> <ul style="list-style-type: none"> ➤ India is unique in the system of Joint Hindu Families. ➤ A Joint Hindu Family comprises of father, mother, sons, daughters, grandsons and granddaughters. ➤ They hold the property jointly. ➤ They do the business under the control of the head of the family. ➤ These 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. ➤ 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. <p>2. Multinational Companies (MNC’s)</p> <ul style="list-style-type: none"> ➤ The term “multinational” consists of two different words, „multi“ and „national.“ ➤ The prefix „multi“ means „many“, while the word „national“ refers to nations or countries. ➤ Therefore, a multinational company may be defined as a company that operates in several countries. ➤ Such a company has factories, branches and in more than one country. 	

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1. Easy Formation

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

2. Direct Motivation

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

3. Flexibility

It is a highly flexible type of organization. A sole proprietorship concern is generally run on a small scale basis. In case a change in operation is required, it is possible without involving much expenditure. 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.

4. Retention of Business Secrets

The maintenance of utmost secrecy is of vital importance for the success of a business. A soletrader can maintain business secrets. Being the sole proprietor, he is not expected to share his trade secrets with any body else. In this form of organisation, there is also no need to disclose accounts or any other material facts to the public.

5. Quick Decision

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 business. Therefore, he can take quick decision and implement them without any delay.

6. Higher reward

The fear of loss acts as a stimulant for hard work. Besides, it makes him very cautious in his approach. Hardwork and cautious approach bring him more reward and improves efficiency and economy of the business.

7. Effective Control

In this form of organisation, the business can be controlled effectively because business activites are planned and executed by a single man. Since all the decisions relating to purchase and sale are taken by the soletrader, he can effectively control the business if there is any deviation from the original plan.

8. Increase in Sales

A sole trader has direct relationship with the customers. Direct contact with the customers will enable the proprietor to know the nature of their tastes, likes and dislikes. It enables him to make necessary changes in the quality and design of his products. It will boost his sales besides enhancing the reputation of the firm.

58	<p>What are the drawbacks of non-registration of partnership firm?</p> <ul style="list-style-type: none"> • A partner of an unregistered firm cannot file any case against the firm or against any other partner. • An un-registered firm cannot file any suit against third parties in any civil court for recovering the money due. • Any third party can take legal action against the business or the partners. • The firm cannot take legal action against its partners. • An unregistered firm cannot enforce its claims against third parties for recovering a sum exceeding rupees one hundred. • A partner cannot sue for dissolving the firm or realising the property of the dissolved firm or for the settlement of accounts on dissolution. • The firm forfeits its rights in restricting the outsiders from using the trademarks and copyrights of the firm. 	
59	<p>What are the conditions for issuing shares at a discount ?</p> <p>When shares are issued at a price less than its face value, it is called issue of shares at a discount. 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. In other words, the issue price minus the face value of the share forms the discount amount.</p> <p>Conditions for issuing shares at a discount</p> <ol style="list-style-type: none"> 1. The shares to be issued at a discount must be of a class already issued. It means a company cannot originally issue shares at a discount. Only subsequent issues can be at a discount. 2. It must be authorised by an ordinary resolution. 3. It should be sanctioned by the Central Government. 4. The resolution must specify the maximum rate of discount at which the shares are to be issued. It should not exceed 10% of nominal value. However higher percentage of discount may be allowed by the Central Government under special circumstances 5. At least one year should have elapsed since the company was entitled to commence business. Shares at a discount must be issued within 2 months from the date of sanction by the Central Government. 	

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State briefly the contents of Articles of Association.(any10)

The more important contents to be contained in the Articles are listed below

1. The extent to which the regulations in Table A are to be excluded.
2. Adoption or execution of preliminary contracts if any.
3. Share capital, different classes of shares, rights attached thereto, etc.
4. Allotment of shares, calls on shares.
5. Procedure relating to forfeiture of shares and their re-issue.
6. Issue of share certificates and share warrants.
7. Rules regarding transfer of shares and transmission of shares.
8. Conversion of shares into stock.
9. Payment of underwriting commission on shares and debentures.
10. Alteration of share capital.
11. Qualification and remuneration of directors.
12. Borrowing powers of directors.
13. Appointment, qualifications, powers, duties, remuneration, etc of managing director, manager and secretary.
14. Appointment of directors.
15. Rules regarding use of common seal of company, Board meetings and voting rights of members, proxies and polls.
16. Procedure for conducting different kinds of general meetings.
17. Payment of dividends, creation of reserve, etc.
18. Issue of redeemable preference shares, if any.
19. Winding up.

61

How are directors appointed in a public limited company ?

APPOINTMENT OF DIRECTORS

First directors are usually named in the Articles. If the Articles are silent, the signatories to the memorandum shall be deemed to be the first directors of the company.

a. Appointment of Directors by the Company

Subsequent directors are elected by shareholders at the Annual General Meetings. If a company adopts the principle of retirement by rotation, one-third of the directors must retire by rotation. The retiring directors are eligible for reappointment.

b. Appointment by Board of directors

The Board can appoint additional directors. They can fill up casual vacancy caused by death, resignation, etc. They can also appoint alternate director. If empowered by Articles, the Board may appoint an alternate director during his absence for a period of not less than 3 months from the date in which meetings of the Board are ordinarily held.

c. Appointment by Third Parties

If authorised by the Articles, third parties such as vendor of the business, banking or financial institutions which have advanced loans to the companies, can appoint their nominees on the Board.

d. Appointment by Central Government

The Central Government can also appoint directors on an order passed by the Company Law Board or on the application of not less than 100 members of the company or of members holding 10% of the total voting power.

62	<p>1. Active Partner A partner who takes active part in the management of the partnership firm is known as active Or working or managing or general partner. His liability is unlimited.</p> <p>2. Sleeping partner: The partners who do not take active interest in the conduct of the business are called sleeping Partners.</p> <p>3. Nominal partner: He does not contribute capital not takes part in the management of the firm. He lends his name to be used as partner in the firm. He is liable to the firm's debt.</p> <p>4. Minor partner: A minor is a person who has not completed 18 years of age where a guardian is appointed by Court his age of majority extends to 21 years.</p> <p>5. Sub – Partner: When a partner makes an arrangement with a partner to share his profit he is known as sub partner.</p>	
63	<p>Co-Ordination The various activities of undertaking should be co-ordinated to secure the desired results. The different departments may have to function frequently in close consultation with other departments in a departmental store. The purchase department and sales department activities must be well coordinated to increase profit.</p> <p>Unity of Command Each individual should receive orders from only one boss. A person cannot serve under two masters. He is accountable to his immediate superior. Dual subordination should be avoided. It creates disorder and confusion and leads to indiscipline.</p>	

64.
A

TYPES OF BUSINESS ORGANISATION

INDIVIDUALISTIC INSTITUTIONS

1. Sole Trader
2. Joint Hindu Family
3. Partnership
4. Joint Stock company
5. Co-operatives
6. Multinational companies

GOVERNMENT INSTITUTIONS

1. Departmental Undertaking
2. Public Corporation
3. Government Company
4. Board organization

I. INDIVIDUALISTIC INSTITUTIONS :

1. Sole Trading Institutions

Any business unit which is owned and controlled by a single individual is known as a sole trading concern. The person who manages it, is called a sole trader.

2. Joint Hindu Family

India is unique in the system of Joint Hindu Families. A Joint Hindu Family comprises of father, mother, sons, daughters, grandsons and granddaughters. Their membership is conferred upon the members by virtue of their birth in the family. The head of the family is known as 'KARTA'.

3. Partnership

The partnership is formed as a result of an agreement between two or more persons. The minimum number is two and the maximum number is 10 in banking and 20 in the case of non-banking business.

4. Joint Stock Company

A company is an association of many persons. The capital of the company is divided into small units called a share. Any one who holds or buys a share in a company is called a shareholder. Shareholders are the members of the company.

5. Co-Operative Society

A co-operative society is a voluntary association of persons. Persons hailing from the same locality voluntarily join together to achieve a common economic objective. Any person can join the society. There is no compulsion to become a member of a society. One man one vote is the most important principle.

6. Multinational Companies (MNC's) :

According to Neil H. Jacoby "A multinational corporation owns and manages business in two or more countries".

All forms of business organisation that transcend political frontiers may be called as multinational firms. In simple words, a multinational company is a company carrying on business in two or more countries.

	<p>II. GOVERNMENT INSTITUTIONS:</p> <p>1. Departmental Undertaking: This is considered as a department attached to the ministry of a government. Its administration is in the hands of the chief administrative officer of the ministry. Here the department is a part of the government . Railways, B.S.N.L.,(Telephones) Broadcastings like Doodharsan are the examples of Departmental Undertakings.</p> <p>2. Public Corporation: This is established under a specific statute passed in the parliament. It is known as a statutory corporation because it is created by a statute. The statute defines its objectives, powers and functions. Reserve Bank of India, Life Insurance Corporation and Unit Trust of India are the examples of public corporation.</p> <p>3. Government Company: Government Company is also established under the Companies Act of 1956. It is a company in which not less than 51% of paid up share capital is held by the central government or by one or more state governments or jointly by the central and state governments.</p> <p>4. Board Organisation: In this organisation management is carried on by a government nominated independent Board. It has its own rules and regulations. Tamil Nadu Electricity Board, Tamil Nadu Housing Board, TamilNadu Water and Drainage Board are the examples of Board Organisation.</p>	
64 B	<p>Any 10 differences in private limited company public limited company</p> <ul style="list-style-type: none"> • Number of Members • Name • Articles of Association • Minimum Subscription • Allotment of Shares • Directors • Statutory Meeting • Qualification Shares • Quorum • Managerial Remuneration • Written consent • Commencement of Business • Issue of Prospectus • Transfer of shares • Issue of subsequent shares • Issue of share warrants • Retirement of directors 	

65.A

1. One-man Ownership and Control

A sole trading concern is owned by an individual. The proprietor is the sole owner and master of the business. He independently manages and controls the business without the interference of any other person.

2. Capital Contribution

In sole tradership, the capital is employed by the owner himself from his Personal resources. He may also borrow capital from his friends, relatives and Financial institutions.

3. Unlimited Liability

The liability of the proprietor for the debts of the business is unlimited. The Creditors have the right to recover their dues even from the personal property Of the proprietor in case the business assets are not sufficient to pay their debts.

4 Enjoyment of Entire Profit

The sole trader is entitled to enjoy all profits of the business. Since he is the Only person who invested money, he need not share the profit with anybody else. At the same time, he himself should bear the entire loss. So it is said that he owns All and risks all.

5. No Separate Legal Entity

The sole trader and the business are one and the same. A sole trading Concern has no legal entity separate from its owner. The sole trader owns the Assets and owns the liabilities of the concern.

6. No Special Legislation

Sole tradership is not governed by any special legislation. A partnership firm Is governed by the Indian Partnership Act. A joint stock company is governed by The Indian Companies Act and a co-operative society by the Co-operative Societies Act. But soletrader business is not governed by any Act.

7. Registration

A sole trader business need not be registered with any authority as that of Partnership and companies. Any person who has money can start the sole trader Business. He is to obtain a licence from the local authority like municipality or panchayat.

8. Duration

The life of sole trader business depends upon the life of the soletrader. If he Dies or becomes incapable of doing business or if he has no legal heir, the business comes to an end.

9. Simplicity

It is simple to commence and simple to close a sole trader business. It requires lesser efforts and it is free from complicated legal formalities.

10. Local business

Most of the sole trading business confine only to a particular place such as a street, a block or a village. A few sole trading business may cover a large area through a network of a branches.

11. Self Employment

A sole trader uses his own labour to conduct the business. He may employ a few paid servant or use the services of his family members for running the business.

12. Small Capital

A sole trader business can be commenced with a small amount of capital whereas a partnership firm or a company require large capital.

65.
B

1. Discuss the powers of directors and restrictions placed on them.

1. General Powers

The Board of directors of a company is entitled to exercise all such powers and to do all such acts and things as the company is authorised to do. However the Board shall not do any act which is to be done by the company in general meeting.

2. Statutory Powers

By means of resolutions passed at the Board meetings, the following powers can be exercised by the directors:

- i. To make calls
- ii. To issue debentures
- iii. To borrow money otherwise than on debentures
- iv. To invest the funds of the company
- v. To make loans

3. Other Powers to be exercised at Board Meetings

- i. To fill up casual vacancy in the office of directors
- ii. To appoint additional directors, if authorised by the articles
- iii. To appoint an alternate director if authorised by the articles
- iv. To accord sanction to contracts in which any director or his relative is interested
- v. To recommend a certain rate of dividend to be declared at the annual general meeting
- vi. To make investments in the companies in the same group
- vii. To appoint the first auditors of the company
- viii. To fill up the casual vacancy in the office of an auditor not caused by resignation

4. Restrictions on the powers of directors

The following powers cannot be exercised by the Board without the consent of the shareholders in the general meeting.

- i. To sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company
- ii. To extend time for repayment of any debt due by a director
- iii. To borrow money where the money to be borrowed together with that already borrowed is in excess of the aggregate of the paid up capital and free reserves
- iv. To contribute to charitable funds in excess of the prescribed limit

66. A	Compare and contrast a partnership with a sole proprietorship.			10 X 2 = 20	
	S. No	Basis of Differences	Partnership		Sole trader
	1	Specific Act	The partnership firm is governed by the Indian Partnership Act,1932		There is no separate act for sole trader business.
	2	Number of Members	Minimum 2. Maximum 10 for banking business and 20 for other business.		Only one person
	3	Agreement	Agreement is essential which may be oral or in Writing		No agreement is necessary
	4	Registration	Optional		Need not be registered
	5	Ownership and control	Lies with the partners		Lies with the sole proprietor
	6	Management	All partners can participate in the management.		This business is managed by person only.
	7	Capital	All the partners contribute capital.		The sole trader contributes t entire capital
	8	Liability	Joint and several liability		Unlimited liability
	9	Implied agency	Generally every partner is an implied agent of the firm and other partners		The proprietor may Appoint an agent.
	10	Division of profit or loss	Partners share profit or loss in an agreed ratio.		The profit or loss is borne b sole trader.
	11	Division of work	The partners divide the work among themselves.		No division of work
	12	Economic strength	It is economically more strong		It is Economically weak.
13	Survival	Its chance of survival is greater	Its chance of survival is limited.		

66. **Briefly explain the functions and duties of directors.**

B **1. General Duties**

1. Duty of good faith: They must act bona fide in the interest of the company. They should not make any secret profits.
2. Duty of reasonable care: They must discharge their duties with care and diligence.
3. They must attend the Board meeting regularly.
4. Duty not to delegate: They must perform the duties personally. They can delegate only certain functions as permitted by the articles.

2. Statutory Duties

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

1. To sign a prospectus and deliver it to the Registrar before its issue to the public.
2. To see that all moneys received from applicants for shares are kept in a scheduled bank.
3. Not to allot shares before receiving minimum subscription.
4. To forward a statutory report to all its members at least 21 days before the date of the meeting.
5. To hold the meetings at least once in three months.
6. If a director is interested in a contract, to disclose the nature of his interest.
7. To call for annual general meeting every year.
8. To file all statutory returns with prescribed authorities.
9. To take steps for filing declaration of solvency in the case of voluntary winding up.

67.

A

Explain the rights and duties of partners. Rights of Partners

- 1) Every partner has a right to take part in the conduct and management of the business.
- 2) Every partner has a right to express opinion on any matter related to the firm.
- 3) Every partner has a right to be consulted before taking important decisions.
- 4) Every partner has a right to inspect and take copy of books of account and records of the firm.
- 5) Every partner has the right to an equal share in the profits of the firm unless otherwise agreed by the partners.
- 6) Every partner has the right to receive interest on loans and advances at the rate of 6% per annum.
- 7) 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.
- 8) Every partner has an equal right to use the assets of the firm for its business.
- 9) No new partner can be admitted into partnership without the consent of other partners.
- 10) Every partner has a right to retire from the firm.

Duties of Partners

The duties of partners can be classified into

1. Absolute duties and 2. Qualified duties.

1. 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 the losses of the firm equally unless otherwise agreed.
5. Every partner must indemnify the firm against loss sustained due to his willful negligence in the ordinary course of business.
6. No partner can transfer or assign his interest in the firm to others without the consent of other partners.
7. Every partner must maintain and render true and correct accounts relating to the firm's business.
8. No partner can engage himself in a business which is likely to compete with the business of the firm.
9. Every partner should use the firm's property only for the firm's business and interest.
10. No partner can make any secret profit by way of commission on purchases or sales effected on behalf of the firm.

67
B

Distinguish between shares and debentures

Sl.No.	Basis of Difference	Shares (Shareholders)	Debentures(Debenture holders)
1	Rights	Shares represent a part of the share capital of the company	Debentures constitute loan to the company. Debentureholder 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
1			
5.	Payment of returns	Dividend paid is an appropriation of profit	Interest paid is a charge on the profit
6.	Liability	The liability of a shareholder is limited to the unpaid amount of shares	There is no such liability
7.	Issue at discount.	Shares can be issued at a discount only under certain conditions specific in the Companies Act	There is no such restriction on the issue of debentures at a discount.
8.	Charge on assets.	Shares have no charge on the assets of the company.	Debentures are generally secured
9.	Return of Capital	Shares are non- repayable during the life time of the company except in the case of redeemable preference shares	Debentures are redeemable either at a fixed date or at the option of the company during the lifetime itself.