

SAMPLE CONTENT



PRECISE

SECRETARIAL PRACTICE

STD. XI



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Precise

SECRETARIAL PRACTICE

Std. XI

Maharashtra State Board

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PREFACE

Target's 'Precise Secretarial Practice: Std. XI' is a book curated to help the students study to-the-point for their final exams. The book is replete with practical examples which will instil conceptual understanding within students as they study from the book.

This book covers answers to all textual questions. However, we have also covered extra questions in each lesson with the aim of covering the entire topic and providing more practice. Throughout this book, questions are answered in a detailed, point-wise format which is exactly how the students are expected to write their answers in the exam. Multiple objective type questions have also been covered to help students get sufficient practice in all types of questions.

We have incorporated 'Smart Codes' to facilitate easy answer recall. 'For your understanding' section provides the required conceptual clarity to understand a particular point. 'We're sure that students, parents and teachers alike would love our value proposition, content quality and the presentation of content.

Publisher

Edition: First

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- Note:**
1. All textual questions are represented by (T) mark.
 2. At the start of each chapter, we have provided a chapter index to enable the students to get an overview of the chapter.

Scan the adjacent QR Code to know more about our **“Supplementary Questions Book”** for Std. XI (Comm). Get sufficient practice of all objective questions across all subjects.



Sample Content

SR. NO.	PARTICULARS	READ 1	READ 2	READ 3
1.	State the features of Sole Trading Concern. (T)			
2.	State the features of Joint Hindu Family Business. (T)			
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7.	What are the types of Companies on the basis of incorporation and number of members?			
8.	Define a 'company'. Explain the types of companies on the basis of liability of members. (T)			
9.	What are holding and subsidiary companies? (T)			
10.	Write a note on the following types of companies : 1. Government Company 2. Foreign Company 3. Dormant Company 4. Listed Company 5. Small Company 6. Associate Company 7. Company not for profit OR Explain any four types of companies. (T)			
11.	Distinguish Between: 1. Private Company and Public Company (T) 2. Sole Trading Concern and Joint Hindu Family Business (T) 3. Sole Trading Concern and Partnership Firm. (T) 4. Partnership Firm and Joint Stock Company. (T) 5. Joint Stock Company and Co-operative society. (T) 6. LLP and Partnership Firm (T)			
12.	Activities from Textbook			
13.	Objective Questions: (T)			



Q.1. Answer the following in detail

1. State the features of Sole Trading Concern. T

Ans: Sole Trading Concern is one of the oldest forms of business organization. It is completely owned, managed and controlled by one single person. Hence, **it is also called as 'One Man Business' or 'Sole Proprietorship'**. The person who conducts the business is called 'Sole Trader'.

The features of Sole Trading Concern are as under:

- 1) **Governed by:** There is no separate law or Act governing Sole Trading Concern. However, it has to follow all the laws of land.

FOR YOUR UNDERSTANDING

Laws of Land refers to all the laws in force in country or a region.

- 2) **Ownership & Management:** Sole Trading Concern has one and only one owner. The sole trader is also the sole manager & decision maker of the organization.
- 3) **Sharing of profits & losses:** As sole trader is the only owner, he / she does not have to share profits or losses with anybody.
- 4) **Liability:** The liability of sole trader is unlimited. Thus, if the business assets are not sufficient to pay off the liabilities, he will have to sell his personal assets too to pay off creditors.
- 5) **Legal Status:** The sole trader and sole trading concern are considered to be one and the same in the eyes of law. It does not enjoy a separate legal status.



- 6) **Capital:** The amount of capital contributed by a sole trader is very small.
- 7) The sole trader can ensure maximum business secrecy.
- 8) Sole Trading Concern has limited funds, managerial skills etc. Hence it is not suitable for large scale business organizations.

2. State the features of Joint Hindu Family Business. T

Ans: When a Hindu Undivided Family conducts business, inherited by it as per Hindu Law, it is called a Joint Hindu Family Business. It exists only in India.

The features of Joint Hindu Family Business are as under:

- 1) The **head** of the family is known as the '**Karta**' and the other **members of the family are called as 'Co-parceners'**.
- 2) **Governed by:** It is governed by Hindu Succession Act, 1956.
- 3) **Number of members:**
 - i. Membership in the Joint Hindu Family Business is by birth only. Every child born becomes a member. Thus, the membership keeps on changing with births and deaths in the family.
 - ii. The membership in Joint Hindu Family Business is unlimited. It does not have any minimum or maximum number of members.
- 4) **Ownership & Management:** The business is jointly owned by all family members. All the members of Joint Hindu Family are engaged in the business. However, Karta is the manager, controller and co-ordinator of the business. He is also the sole decision maker and hence, the decision making is fast.
- 5) **Sharing of profits & losses:** The membership keeps on changing with birth and death in the family. Thus, the profit sharing ratio keeps on changing.
- 6) **Liability:** The liability of Karta is unlimited. However, the liability of co-parceners is limited.
- 7) **Legal Status:** The Joint Hindu Family Business and the members are considered one and the same in the eyes of law. It has no separate legal status.
- 8) Only family members can be members in the Joint Hindu Family Business. The membership cannot be transferred to any friends, relatives or outsiders.

Till 2005, only sons could be co-parcener in the Joint Hindu Family Business. However, The Hindu Succession Amendment Act, 2005 gave equal rights on daughters to become co-parceners. This is a major step towards gender equality.

3. State the features of Partnership Firm. T

Ans: The business organization which is owned, managed and controlled by two or more persons is called Partnership Firm. The owners are called as 'Partners' and the organization is called as 'Firm'. The partners pool in their resources, enter into a contract and carry out business for mutual benefits. It is governed by the Indian Partnership Act, 1932. Registration of partnership firm is compulsory in Maharashtra.

The features of Partnership Firm are as under:

- 1) The business is started by an agreement between two or more persons.
- 2) **Governed by:** It is governed by the Indian Partnership Act, 1932. Registration of partnership firm is compulsory in Maharashtra.
- 3) **Number of members:** The minimum number of partners in partnership firm are two whereas maximum number is fifty for general business.
- 4) **Ownership & Management:** Partners are joint owners as well as managers of business. There is no distinction between ownership and management.
- 5) **Sharing of profits & losses:** The profit sharing ratio between the partners is mentioned in the partnership deed. Partners share profit or losses in this ratio.
- 6) **Liability:** The liability of partners is unlimited, joint and several.

FOR YOUR UNDERSTANDING

Joint Liability: Each partner is jointly liable with the other partners for the debt of the firm, whether incurred by that partner or by other partners.

Several Liability: It means that if one of the partners is not able to contribute for the debts, then it is the responsibility of the other solvent partners to bear the liability.



- 7) **Legal Status:** The partnership firm does not enjoy separate legal status. The partners and the partnership firm are considered to be the same in the eyes of law.
- 8) **Capital:** The capital of the partnership firm is contributed by the partners.
- 9) In partnership firm, partners cannot transfer their share without the permission of other partners.

4. State the features of Limited Liability Partnership (LLP). T

Ans: Limited Liability Partnership has a combination of features of both partnership and Joint Stock Company. The basic distinction between Partnership Firm and LLP is that the partners have limited liability. This means that personal assets of the partners are not attached for paying off the debts of LLP.

The features of LLP are as under:

- 1) **Governed by:** LLPs are governed by the Limited Liability Partnership Act of 2008.
- 2) **Number of members:** The minimum number of partners in LLP is 2 and there is no restriction to maximum number of members.
- 3) **Ownership & Management:** Partners are joint owners as well as managers of business. There is no distinction between ownership and management.
- 4) **Sharing of profits & losses:** The profit sharing ratio between the partners is mentioned in the partnership deed. Partners share profit or losses in this ratio.
- 5) **Liability:** The liability of each partner is mentioned in the agreement. Thus, the maximum liability of the partner is limited by the agreement.
- 6) **Legal Status:** Unlike partnership firm, LLP is a separate legal entity i.e. a body corporate. The LLP and the partners are distinct from each other.
- 7) **Capital:** In LLP, there is no requirement of minimum capital contribution.
- 8) LLP is quite simple to form and it is easy to operate as well. The cost of formation of LLP is quite low.
- 9) There is no restriction on joining as well as leaving the LLP. However, it should be as per the partnership agreement.
- 10) In case of LLP, income of LLP is taxed. The profit divided amongst partners is not taxed. Thus, double taxation is avoided.

5. State the features of Co-operative Society. T

Ans: A co-operative society is a voluntary association of persons formed to achieve certain economic objectives. Co-operative society is not profit oriented but a service oriented organization. The registration of a co-operative society is compulsory in the state of Maharashtra under the Maharashtra State Co-operative Societies Act, 1960.

The features of Co-operative Society are as under:

- 1) The **main aim of co-operative society is to provide service** to its members and not to earn profits. Thus, it is different from other forms of organization as it is not profit-oriented.
- 2) **Governed by:** It is governed by the Co-operative Societies Act of the respective state. In Maharashtra it is governed by Maharashtra State Co-operative Societies Act, 1960.
- 3) **Number of members:** The minimum number of members to form a co-operative society is ten and there is no limit to maximum number. The membership of co-operative society is open to all. Any person can voluntarily join the organization.
- 4) **Ownership & Management:** The co-operative society is jointly owned by the members. The management of co-operative organization is democratic in nature. There is equality in voting right. They follow the principle of '**One member one vote**'. Thus, each member gets one vote. The decision is taken based on the majority of votes.
- 5) **Liability:** The liability of a member in a co-operative society is limited.
- 6) **Legal Status:** The organization enjoys independent legal status different from its members.
- 7) Registration of co-operative societies is compulsory.
- 8) The working of cooperative organization is under the control and supervision of the state government.

JOINT STOCK COMPANY

INTRODUCTION:

On account of industrial revolution, there was need of additional capital, more resources, more managerial skills etc. However, existing form of business organizations were not capable. This resulted in creation of Joint Stock Company. Joint Stock Company is a more formal form of business organization capable of satisfying requirement of modern industry. It is suitable and most convenient form of business organization for handling large scale business activities. This form of business organization started in India in the 18th century.



MEANING OF JOINT STOCK COMPANY

A company means a group of individuals who are associated for a lawful common purpose or goal. This goal may be economic or non-economic such as business, charity, research, sports, arts etc. Capital is invested by a large number of persons. In simple words, company is a voluntary association of persons for carrying some business and sharing profit therefrom.

A joint stock company is formed by a number of people contributing a fixed amount of capital. The total capital of the company is called as 'share capital'. This entire share capital is divided into smaller units called as 'shares'. The person who purchases / holds the shares of a company is called 'shareholder' and are part owners of the company. The shareholders appoint their representatives to manage the company on their behalf. These representatives are called 'directors' and they are collectively known as 'Board of Directors'. Thus, in company form, there is separation of ownership from management. The portion of the profit of the company which distributed among the shareholders is known as 'dividend'.

DEFINITION OF JOINT STOCK COMPANY

According to the Section 2(20) of the Companies Act, 2013:

"Company means a company incorporated under this Act or under any previous company law"

Thus, every organization which is registered under this Act or any previous company act would get the status of a company.

Before Companies Act, 2013 came into existence in 2013, Companies were governed by Companies Act, 1956. However, the definition of 'company' under Companies Act, 2013 covers companies incorporated under previous company law as well. Therefore, all companies in existence today are governed by Companies Act, 2013.

Prof. H. L. Haney states that – "A joint stock company is a voluntary association of individuals for profit, having its capital divided into transferable shares, the ownership of which is the condition of membership."

The following are some important points related to a joint stock company:

- 1) A joint stock company is an incorporated association which is an artificial person created by law
- 2) It has a separate name, separate legal status and perpetual succession (will continue forever till it is wound up)
- 3) The liability of its member is limited.
- 4) The company may have a common seal.

6. Define Joint Stock Company and explain its features. T

Ans: Prof. H. L. Haney states that – "A joint stock company is a voluntary association of individuals for profit, having its capital divided into transferable shares, the ownership of which is the condition of membership."

The features of Joint Stock Company are as under :

1) VOLUNTARY ASSOCIATION

A joint stock company is a voluntary association of persons. The membership of the company is open to all. Any person can become a member of the company by purchasing the shares of the company. A person at his own wish can become a member or leave membership of the company subject to the provisions of Articles of Association of the company.

FOR YOUR UNDERSTANDING

Articles of Association: It is the document which describes the rules related to internal management of company.

2) INCORPORATED ASSOCIATION

A Joint Stock Company is an association of persons formed and registered under the Companies Act. Thus, it can come into existence only after it is registered. Registration or incorporation is compulsory.

3) SEPARATE LEGAL ENTITY

A Joint Stock Company is a legal entity i.e. it enjoys separate legal status. Its existence is different from its members and directors. The members are the owners and are liable in limited way for the acts of their company and are conferred with rights and duties.

4) ARTIFICIAL PERSON

A Joint Stock Company is an artificial person created by law. It has no physical existence and is created by a legal process. It has its own independent personality and acts through Board of Directors. It enjoys certain legal rights like a person for e.g. enter into contracts, purchase and sell assets, appoint persons as employees etc. However, like a natural person it cannot act on its own. Hence it is called as an artificial person.



5) PERPETUAL SUCCESSION

Perpetual means continuous. A Joint Stock Company has perpetual succession i.e. continuous existence. In simple words, it has a long and stable life. It does not have a fixed life span like a human since it is an artificial legal person. Its existence is not affected by death, insolvency or retirement of any of its members. It can be wound up only by following legal procedure.

6) COMMON SEAL

A company is an artificial legal person and therefore it cannot have a signature like a human. Therefore, a company gets a right to have a common seal which can be used as substitute for the signature. The name of the company is engraved on the common seal. This common seal has to be affixed on all important documents. Usually two directors and the Secretary sign the documents as witness after the seal is affixed.

7) LIMITED LIABILITY

The liability of the shareholders of the company is limited to the extent of the unpaid amount of face value of shares held by them. In no case can the personal property of the shareholder be used to pay off the liabilities of the company. Shareholder is not concerned with debts and liabilities of the company.

E.g.: Ms. Sinha is the shareholder of Shotgun Industries Ltd. She owns 1000 shares of the company of F.V. ₹ 10 each (₹ 4 paid up). In this case, the maximum liability of Ms. Sinha can be ₹ 6000 (1000 × 6 (10-4)).

8) SEPARATION OF OWNERSHIP AND MANAGEMENT

In a company, the ownership and management is separate. The shareholders are the owners of the company. However, it is not practical for shareholders to manage the company on account of following reasons:

- i. Shareholders are large in number.
- ii. They are scattered and
- iii. They keep changing because shares are transferable.

Therefore, they appoint their representative i.e. the Board of Directors (BOD) who manage the company on their behalf. All policy decisions are taken by Board of Directors.

9) TRANSFERABILITY OF SHARES

The shares of public company are easily and freely transferable. The shareholder does not have to take the permission of other shareholders or the company before transferring the shares. He can sell shares as and when he desires. Membership comes to an end once the shares are sold. However, shares of private company are not freely transferable.

10) NUMBER OF MEMBERS

A Joint Stock Company is usually owned by a large number of persons. Membership of the company is explained in the table given below :

Type of company	Min no. of members	Max no. of members
Private Limited Company	2	200
Public Limited Company	7	No limit

11) CAPITAL

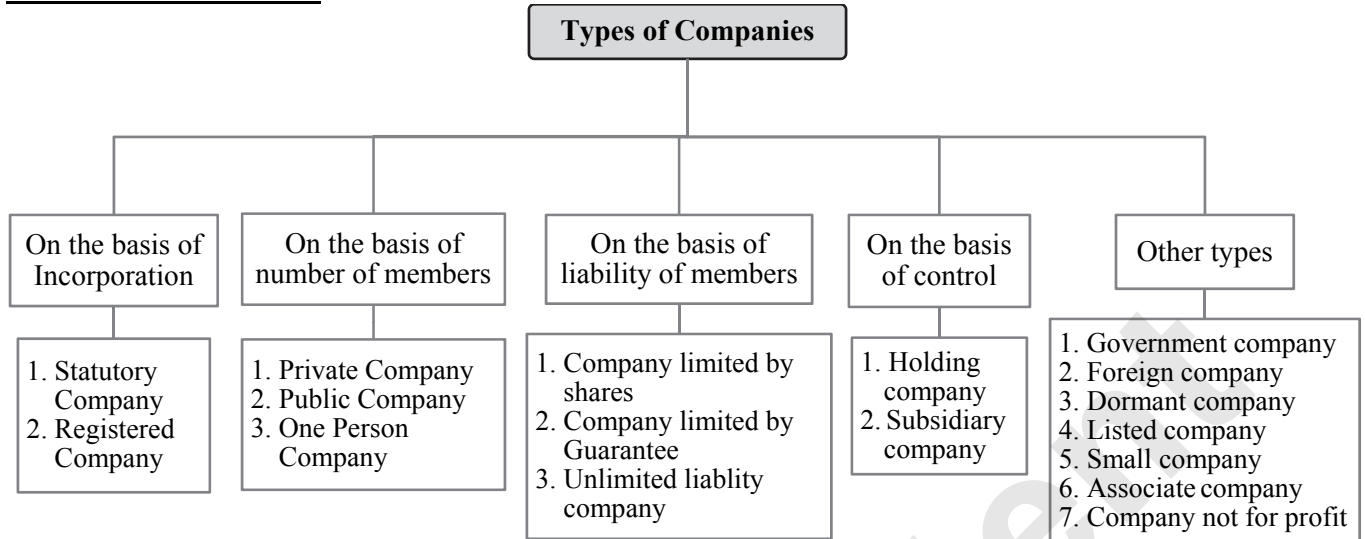
The capital of a joint stock company is huge. This is mainly because there is no maximum limit on number of shareholders. Moreover, due to the stability of the business, even banks and financial institutions do not hesitate to provide loans. It can also raise funds in the form of debentures, bonds, public deposits etc.

12) GOVERNMENT CONTROL

A Joint Stock Company has to work under strict government control and supervision. Registration is compulsory for all companies. A registered company must follow the regulations given in company law such as:

- i. It has to file a copy of statement of profit and loss, balance sheet and other financial statement with the Registrar of Companies (ROC)
- ii. It has to maintain proper books of accounts and get it audited.

Besides, if a company does not fulfill these statutory obligations, it is penalized. This control is essential to protect the financial interest of small investors.

**TYPES OF COMPANIES****7. What are the types of companies on the basis of incorporation and number of members?**

Ans: In simple words, incorporation means registration. The following are the types of companies on the basis of incorporation:

1) ON THE BASIS OF INCORPORATION

In this method, companies are classified by the nature in which they are incorporated.

- i. **Statutory Company:** These companies are brought into existence by special act passed by the central or state legislature E.g.: Reserve Bank of India was formed under Reserve Bank of India Act, 1934, LIC was formed under Life Insurance Corporation Act, 1956 etc.
- ii. **Registered Company:** These companies are those companies which are registered under the Companies Act, 2013 or under any previous law.

The owners of the company are the members of the company. The following are the types of companies on the basis of number of members:

2) ON THE BASIS OF NUMBER OF MEMBERS

In this method, companies are classified on the basis of number of members in that company.

- i. **Private Company (Section 2 (68)):** Private company means a company having a minimum paid up capital as may be prescribed and which by its articles:
 - a. Restrict the right of members to transfer its shares, if any **AND**
 - b. Restrict the number of its members to a maximum of 200 **AND**
 - c. Prohibits any invitation to the public to subscribe for any securities or deposits of the company.
 All the above conditions have to be fulfilled at the same time. Only then a company will be called as a private company. If it does not fulfill any one of the condition, it will be considered as a public company. The minimum number of members for private company is 2. A private company must add the words 'Private Limited' at the end of its name. A private company can be either of the following:
 - a. Company limited by shares
 - b. Company limited by guarantee
 - c. Unlimited company
- ii. **Public Company (Section 2 (71)):** A public company is a company which is not a private company. A public company:
 - a. has no restriction on the transfer of its shares.
 - b. has minimum number of members as seven.
 - c. has to have a minimum paid up share capital as may be prescribed by its Articles.
 - d. does not prohibit any invitation or acceptance of deposits from the public.
- iii. **One Person Company (Section 2 (62)):** A one person company is a company which has only one person as a member.
 - a. One person company was introduced by the Companies Act, 2013.
 - b. The liability of that person is limited to the extent of his capital. Thus, it is a better form of sole proprietorship concern as the liability of sole proprietor is unlimited.



- c. **One person company is a private limited company** and has to fulfill all the formalities of private company unless otherwise specified in the Act or Rules.
- d. One person company may have more than one director. Also, there is no need to hold Annual General Meeting.

8. Define a 'company'. Explain the types of companies on the basis of liability of members. T

Ans: According to the Section 2(20) of the Companies Act, 2013:

“Company means a company incorporated under this Act or under any previous company law”

Thus, every organization which is registered under this Act or any previous company act would get the status of the company.

Below are the types of companies on the basis of liabilities of members :

1) **COMPANY LIMITED BY SHARES (Section 2(22))**

These are the most popular types of companies. The companies can either be a public company or a private company. These types of companies have a share capital and the liability of each member is limited to the unpaid part of face value of shares purchased by member. Thus, a shareholder can be asked to pay only the unpaid remaining amount on the shares purchased by him / her.

2) **COMPANY LIMITED BY GUARANTEE (Section 2(21))**

These types of companies may or may not have a share capital. In this case, members promise to pay a fixed sum of money specified in the Memorandum in the event of liquidation of the company for the payment of the debts and liabilities of the company. Generally, such companies are formed for the purpose of promotion of art, science, culture, charity, sports, or some other similar purpose and thus are not profit-oriented company.

3) **UNLIMITED LIABILITY COMPANY (Section 2(92))**

In these types of companies, there is no maximum limit to the liability of members. Thus, the liability of members is unlimited. The members are fully liable to cover the debts of the company. The unlimited company can be either a private or a public or a one person private company.

9. What are holding and subsidiary companies? T

Ans: According to the Section 2(20) of the Companies Act, 2013:

“Company means a company incorporated under this Act or under any previous company law”

Thus, every organization which is registered under this Act or any previous company act would get the status of the company.

On the basis of control, companies are divided into the following :

1) **HOLDING COMPANY (SECTION 2(46))**

Holding company is a company:

- i. which holds more than one half of the total share capital of another company (i.e more than 50%)
OR
- ii. has powers to appoint or remove all or a majority of directors of another company.

2) **SUBSIDIARY COMPANY (SECTION 2(87))**

Subsidiary company is just the opposite of a holding company. It is a company which is controlled by a holding company. Holding company has control over subsidiary company on account of following reasons :

- i. Holding company purchases more than one half of the share capital of subsidiary company
OR
- ii. Holding company has powers to appoint or remove all or a majority of its directors.

10. Write a note on the following types of companies:

- | | | |
|----------------------------------|---------------------------|-----------------------------|
| 1) Government Company | 2) Foreign Company | 3) Dormant Company |
| 4) Listed Company | 5) Small Company | 6) Associate Company |
| 7) Company not for profit | OR | |

Explain any four types of companies. (T)

Ans: According to the Section 2(20) of the Companies Act, 2013:

“Company means a company incorporated under this Act or under any previous company law”



Thus, every organization which is registered under this Act or any previous company act would get the status of the company.

1) GOVERNMENT COMPANY (SECTION 2(45))

Government company means any company in which not less than 51% of the paid up share capital is held by

- i. Central Government or
- ii. State Government or Governments or
- iii. Partly by Central Government and partly by one or more State Governments or
- iv. Subsidiary company of a government company.

Government company is registered and incorporated under the Companies Act 2013. It may be a private company or a public company.

e.g. Hindustan Machine Tools Limited, Steel Authority of India Limited., Bharat Heavy Electrical Limited, Coal India Limited, Oil Natural Gas Corporation Limited etc.

2) FOREIGN COMPANY (SECTION 2(42))

Foreign company means a company incorporated outside India. However, it has a place of business in India. e.g. Amazon India Ltd., Nestle India Limited, Bata India Limited, Whirlpool Corporation, etc.

3) DORMANT COMPANY

If a company

- i. is registered for a future project or
- ii. has not made any significant accounting transactions in last two years or
- iii. has not filed financial statements or annual returns in last two years, then after making application u/s 455, it can be called as Dormant Company.

4) LISTED COMPANY (SECTION 2(52))

Listed company means a company which has any of its securities listed on any recognized stock exchange. Apart from the provisions of Companies Act, 2013, the listed companies will also have to follow SEBI's guidelines. A public limited company may be a listed company or an unlisted company.

5) SMALL COMPANY (SECTION 2(85))

Small company means a company other than a public company -

- i. **Paid up share capital of which does not exceed ₹ 50 lakh** or such higher amount as may be prescribed or
- ii. **Turnover of which** as per its last profit and loss account **does not exceed ₹ 2 crores** or such higher amount as may be prescribed.

Private company, One Person Company and company other than public company can be a small company.

6) ASSOCIATE COMPANY (SECTION 2(6))

Associate company in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company.

For the purpose of this clause, **'significant influence' means control of at least 20% of total capital or of business decisions under an agreement.**

7) COMPANY NOT FOR PROFIT

These are the companies whose main motive is not to earn profit. They are set up for social / welfare causes. These companies are registered under section 8 of the Act.



Q.2. Distinguish Between (T)

1. Private Company and Public Company

Ans:

Private Company	Public Company
1) Definition	
A private company is a company which by its articles restricts the right to transfer its shares, if any; limits the number of its members to 200 and prohibits any invitation to the public to subscribe to any securities or deposits of the company.	A public company means a company which is not a private company.



2) Number of members	
The minimum number of members is 2 whereas maximum is 200.	The minimum number of members is 7 whereas there is no limit to maximum number of members.
3) Number of directors	
In a private company a minimum number of 2 directors are essential.	In a public company a minimum number of 3 directors is essential.
4) Right to transfer the shares	
Shares in private company are not freely transferable.	Shares in public company are freely transferable.
5) Issue of prospectus	
Private company cannot invite public to subscribe to any securities and hence cannot issue a prospectus.	Public company can issue a prospectus to invite public to subscribe to its securities (shares, debentures etc.)
6) Ending word/s	
It is compulsory to add the word 'Private Limited' after the name of private company.	It is compulsory to add the word 'Limited' after the name of public company.

2. Sole Trading Concern and Joint Hindu Family Business
3. Sole Trading concern and Partnership Firm.
4. Partnership Firm and Joint Stock Company.
5. Joint Stock Company and Co-operative society.
6. LLP and Partnership Firm

Ans:

Sole Trading Concern	Joint Hindu Family Business	Partnership Firm	Limited Liability Partnership	Joint Stock Company	Co-operative society
1) Meaning					
Sole Trading Concern is an organization which is owned and controlled by one person.	When a Hindu Undivided Family conducts business, inherited by it as per Hindu Law, it is called as Joint Hindu Family Business.	The business organization which is owned, managed and controlled by two or more persons is called Partnership Firm.	Limited Liability Partnership is a type of partnership in which the liability of partners is limited	Joint Stock Company is an incorporated association which is an artificial person created by law, having perpetual succession.	Co-operative society is a voluntary association of members which is formed for providing services to members.
2) Registration					
Registration is not necessary.	Registration is not necessary.	Registration is not necessary but compulsory in the state of Maharashtra.	Registration is compulsory.	Registration is compulsory.	Registration is compulsory.
3) Number of members					
Minimum – 1 Maximum – 1	There is no limit on minimum and maximum number of members.	Minimum – 2 Maximum – 50 for general business	Minimum – 2 Maximum – No limit	<u>Private Company</u> Minimum – 2 Maximum – 200 <u>Public Company</u> Minimum – 7 Maximum – No limit	Minimum – 10 Maximum – No limit
4) Liability					
The liability of sole trader is unlimited.	The liability of Karta is unlimited. However, the liability of coparceners is limited.	Liability of partners is unlimited, joint and several.	Liability of partners is limited.	Liability of members is limited.	Liability of members is limited.



5) Stability					
Sole Trading Concern lacks stability. The business may be affected due to death, insolvency or insanity of sole trader.	Joint Family Business lacks stability. Business may be affected due to death, insolvency of members.	Partnership Firm lacks stability. Business may be affected due to death, insolvency of partners.	Limited Liability Partnership lacks stability. Business may be affected due to death, insolvency of partners.	Joint Stock Company is a stable form of organization. Perpetual succession is one of the most important features. It is not affected by death, insolvency of any member.	Co-operative society is a stable form of organization.
6) Capital					
Sole Trading Concern has limited capital.	Joint Family Business has comparatively limited capital.	Partnership Firm has more capital as compared to Sole Trading Concern and Joint Hindu Family Business. However, it's quite less as compared to Joint Stock Company and co-operative society.	Limited Liability Partnership has more capital as compared to Sole Trading Concern and Joint Hindu Family Business. However, it's quite less as compared to Joint Stock Company and co-operative society.	Capital availability is quite huge for joint stock company.	Co-operative society has more capital than Sole Trading Concern, Joint Hindu Family Business, Partnership Firm and Limited Liability Partnership. However, it is quite less as compared to Joint Stock Company.
7) Secrecy					
Sole Trading concern ensures maximum business secrecy as sole trader is the only decision maker.	Joint Family Business ensures business secrecy as only Karta is responsible for the decision making.	In a partnership firm, secrecy is shared amongst the partners.	In Limited Liability Partnership, secrecy is shared amongst the partners.	Joint Stock Company offers very less business secrecy. Most of the documents are available to public.	Co-operative society has less business secrecy.
8) Management					
It is managed by sole trader who is responsible for the management of business.	Karta alone is responsible for the management of the business.	All the partners are equally liable for the management of their business.	All the partners are equally liable for the management of their business.	Board of directors constitutes the management of company.	Managing committee is the managing body of co-operative society.
9) Government control					
There is minimum government control over the working of the business.	There is less government control over the working of the business.	There is limited government control over the working.	There is limited government control over the working.	There is more government control over the working.	There is limited government control over the working.



ACTIVITIES FROM TEXTBOOK



1. Identify the type of following companies : (Textbook page no. 25)

- i. Bajaj Auto Limited
- ii. Coal India Limited
- iii. Microsoft India
- iv. Kirloskar Foundation

- Ans:**
- i. Bajaj Auto Limited – Listed Company
 - ii. Coal India Limited – Government Company
 - iii. Microsoft India – Foreign Company
 - iv. Kirloskar Foundation – Company not for profit

SUMMARY OF SECTIONS COVERED IN THIS CHAPTER



Section	Heading
2(6)	Associate company
2(20)	Definition of Company
2(21)	Company limited by Guarantee
2(22)	Company limited by shares
2(42)	Foreign company
2(45)	Government company
2(46)	Holding company
2(52)	Listed company

Section	Heading
2(62)	Definition of One Person Company
2(68)	Definition of Private Company
2(71)	Definition of Public Company
2(85)	Small company
2(87)	Subsidiary company
2(92)	Unlimited liability company
455	Application for Dormant company



Objective Questions: (T)

(A) Select the correct answer from the options given below and rewrite the statements:

- A sole proprietorship has _____ owner/owners.
 - a. one
 - b. two
 - c. five
- The head of Joint Hindu Family Business is called as _____.
 - a. Proprietor
 - b. Director
 - c. Karta
- The members of Hindu Undivided Family Business are called _____.
 - a. Karta
 - b. partners
 - c. co-parceners
- Indian Partnership Act was passed in the year _____.
 - a. 1923
 - b. 1932
 - c. 1956
- The liability of shareholders in the public limited joint stock company is _____.
 - a. Limited
 - b. Unlimited
 - c. Collective
- The minimum number of members required for a co-operative society is _____.
 - a. 10
 - b. 20
 - c. 50
- The _____ is / are elected representative of shareholders who manage affairs of company.
 - a. secretary
 - b. directors
 - c. auditors
- State Bank of India is the example of _____ company.
 - a. chartered
 - b. statutory
 - c. foreign

one
Karta
co-parceners
1932
limited
10
directors
statutory

(B) Match the pairs:

1.

Group 'A'		Group 'B'	
1.	Sole Trading concern	a.	1932
2.	Joint Hindu Family Business	b.	Partner
3.	Partnership Act	c.	Artificial person
4.	Joint Stock Company	d.	1923
5.	Co-operative Society	e.	Karta
		f.	Natural person
		g.	Single Ownership
		h.	Equal voting rights
		i.	Multiple ownership
		j.	Minimum 9 members

1 – g
2 – e
3 – a
4 – c
5 – h



2.

Group 'A'		Group 'B'	
1.	Private company	a.	51% share capital held by Government
2.	Public company	b.	Bank of England
3.	Government company	c.	Maximum 200 members
4.	Statutory Company	d.	Minimum 7 members
5.	Limited Liability Partnership	e.	Maximum 100 members
		f.	Minimum 5 partners
		g.	40% share capital
		h.	Minimum 5 members
		i.	Life Insurance Corporation
		j.	Minimum 2 partners

1 – c
2 – d
3 – a
4 – i
5 – j

(C) Write a word or a term or a phrase which can substitute each of the following statements:

- The owner who is the sole manager and decision maker of his business.
- The senior most family member of Joint Hindu Family Business.
- The members of Joint Hindu Family Business.
- An artificial person created by law.
- The persons who have entered into an agreement of partnership.
- A person who purchases shares of Joint Stock Company.
- The official signature of Joint Stock Company.
- Type of company that is created by a special legislation of parliament or state assembly.

Sole trader
Karta
Co-parceners
Company
Partners
Shareholder
Common seal
Statutory Company

(D) State whether the following statements are true or false:

- A joint stock company is voluntary association of persons.
- A joint stock company is a formal form of business organization.
- Registration of Joint Stock Company is compulsory.
- A Joint Stock Company is a natural person.
- A Joint Stock Company does not enjoy independent legal status.
- The liability of shareholder of public limited company is limited.
- A joint stock company has long and stable life.
- There is no separation of ownership and management in Joint Stock Company.
- Board of Directors manage the Company.

True
True
True
False
False
True
True
False
True

(F) Complete the sentences:

- A company is a creation of law, hence it is called as _____.
- A company which is incorporated under a special Act is called as _____.
- A company which has only one member is called as _____.
- A listed company must follow the provisions of Companies Act and _____.

artificial person
statutory company
one person company
SEBI Guidelines

(G) Select the correct option from the bracket:

Sr. No.	Group 'A'	Group 'B'
1.	Private company	_____
2.	Public company	_____
3.	_____	Member have unlimited liability
4.	Incorporated Outside India	_____

(Foreign company, Minimum 7 members, Maximum 200 members, Unlimited Liability Company)

Ans:

Sr. No.	Group 'A'	Group 'B'
1.	Private company	Maximum 200 members
2.	Public company	Minimum 7 members
3.	Unlimited Liability Company	Member have unlimited liability
4.	Incorporated Outside India	Foreign company

**(H) Answer in one sentence:****1. How many member/s can be there in a one person company?**

Ans: One person company can have only one member.

2. What is a holding company?

Ans: A holding company is a company which holds more than one half of the total share capital of another company or has powers to appoint or remove all or a majority of directors of another company.

3. What is meant by foreign company?

Ans: Foreign company means a company incorporated outside India but having a place of business in India. E.g. Nestle India Limited, Bata India Limited, Whirlpool Corporation etc.

(I) Correct the underlined word and rewrite the following sentences:**1. Statutory companies are registered under the Companies Act.**

Ans: Statutory companies are incorporated by a Special Act passed by the central or state legislative.

2. A Subsidiary Company holds more than half of the total share capital of another company.

Ans: A Holding Company holds more than half of the total share capital of another company.

3. A private company must have minimum 7 Members.

Ans: A private Company must have minimum 2 Members.

4. A public company can have maximum 200 Members.

Ans: A private company can have maximum 200 Members.

**Explain the following terms/concepts: (T)****1. Perpetual succession**

Ans: Perpetual succession is a state in which the existence is not affected by death, insolvency or retirement of any of the members of the organization and the organization is in continuous existence.

2. Limited liability

Ans: When the liability of the member of the organization is limited or finite, then it is called as limited liability. E.g.: The liability of partners of a limited liability partnership firm is limited to the extent mentioned in the agreement.

3. One person company

Ans: A one person company is a company which has only one person as member.

4. Company limited by guarantee

Ans: Company limited by guarantee is a type of company in which each member promises to pay a fixed sum of money specified in the Memorandum in the event of liquidation of the company for the payment of the debts and liabilities of the company.

5. Holding company

Ans: A Holding company is a company which holds more than one half of the total share capital of another company or has powers to appoint or remove all or a majority of directors of another company.

6. Government company

Ans: Government company means any company in which not less than 51% of the paid up share capital is held by

- i. the central government or
- ii. State government or governments or
- iii. Partly by central government and partly by one or more state governments or
- iv. Subsidiary company of a government company.

7. Foreign company

Ans: Foreign company means a company incorporated outside India, but having a place of business in India.

8. Dormant company

Ans: A company which is registered for a future project or has not made any significant accounting transactions in last two years or has not filed financial statements or annual returns in last two years, after making application u/s 455 can be called as Dormant Company.

9. Listed company

Ans: Listed company means a company which has any of its securities listed on any recognized stock exchange.

**10. Associate company**

Ans: An Associate Company is one over which another company exercises a significant degree of control which is less than the degree of control exercised over a subsidiary company.

**Justify the following statements: (T)****1. Registration of Joint Stock Company is compulsory.**

- Ans:**
- A joint stock company has to work under government control and supervision.
 - It must follow the regulations given in company law.
 - A company has to file a copy of statement of profit and loss, balance sheet and other financial statement with the Registrar, maintain and get books of accounts audited etc.
 - If a company does not fulfill these statutory obligations, it is penalized.
 - All this control is essential to protect the financial interest of small investors.
 - This can be tracked only if a company is registered.
 - Besides, Joint Stock Company is a separate legal entity and it can come into existence only after registration.
 - Hence, the registration of Joint Stock Company is compulsory.

2. A Joint Stock Company is an artificial person.

- Ans:**
- A Joint Stock Company has no physical existence and is created by a legal process.
 - It has its own independent personality and acts through Board of Directors.
 - It enjoys certain legal rights like a person e.g. enter into contracts, purchase and sell assets and property, appoint persons as employees etc.
 - However, like a natural person it cannot act on its own.
 - Hence, Joint Stock Company is an artificial person.

3. The liability of shareholder of company is limited.

- Ans:**
- The liability of the shareholders of the company is only to the extent of the unpaid amount of face value of shares held by them.
 - In no case can the personal property of the shareholder be used to pay off the liabilities of the company.
 - Shareholder is not concerned with debts and liabilities of the company.
 - Thus, the liability of a shareholder of company is limited.

4. The ownership and management are separated in Joint Stock Company.

- Ans:**
- The shareholders are the owners of the company.
 - However, it is not practical for shareholders to manage the company on account of following reasons:
 - Shareholders are large in number.
 - They are scattered and
 - They keep changing because shares are transferable.
 - So they appoint their representative i.e. the Board of Directors (BOD) to look after the management of the company.
 - All policy decisions are taken by the Board of Directors.
 - Hence, the ownership and management are separated in Joint Stock Company.

5. The Joint Stock Company collects a huge capital from public.

- Ans:**
- Joint stock company is a stable form of organization.
 - There is no maximum limit on number of shareholders.
 - Moreover, due to the stability of the business, even banks and financial institutions do not hesitate to provide loans.
 - It can also raise funds in the form of debentures, bonds, public deposits etc.
 - The operations of Joint Stock Company are usually on large scale and hence require huge capital to carry out these operations.
 - Hence, the Joint Stock Company collects a huge capital from public.

6. There is more government control and supervision over the working of Joint Stock Company.

- Ans:**
- Registration is compulsory for all companies.
 - A registered company must follow the regulations given in company law such as:
 - It has to file a copy of statement of profit and loss, balance sheet and other financial statement with the registrar.
 - It has to maintain proper books of accounts and get it audited.
 - Besides, if a company does not fulfill these statutory obligations, it is penalized.
 - Joint Stock Company accepts fund from general public. It is necessary to safeguard the financial interest of small investors.
 - Hence, there is more government control and supervision over the working of Joint Stock Company.


Study the following case/situation and express your opinion: (T)

1. **Two promoters got 'Super Drinks Pvt. Ltd.' incorporated on 18th Jan, 2018. The company has 100 members as on 31th Mar, 2019.**
 - i. **What is the maximum number of members this company can have?**
 - ii. **Can this company invite general public to subscribe for its shares?**
 - iii. **Can the shareholders of the company sell their shares to outsiders?**

Ans:

 - i. Super Drinks Pvt. Ltd. is a private limited company. As per Section 2(68) of the Companies Act, 2013, a private limited company can have a maximum of 200 members. Thus, the maximum number of members Super Drinks Pvt. Ltd. can have is 200.
 - ii. Super Drinks Pvt. Ltd. is a private limited company. The Companies Act, 2013, prohibits any invitation to the public to subscribe to any securities or deposits of the company. Thus, it cannot invite general public to subscribe for shares.
 - iii. Super Drinks Pvt. Ltd. is a private limited company. The Companies Act, 2013, restricts the right of members to transfer their shares. Thus, the shareholders of the company cannot freely sell their shares to outsiders.

2. **Kali VFX Ltd. was incorporated on 1st Jan, 2019 as a public limited company.**
 - i. **How many minimum number of members must be there in this company?**
 - ii. **Can the members of this company sell its shares to outsiders?**
 - iii. **How many maximum number of members can this company have?**

Ans:

 - i. Kali VFX Ltd. is a public limited company. As per section 2(71) of the Companies Act, 2013, the minimum number of members of public limited is 7. Thus, Kali VFX Ltd. should have atleast 7 members.
 - ii. Kali VFX Ltd. is a public limited company. As per section 2(71) of the Companies Act, 2013, a public company has no restriction on the transfer of its shares. Thus, the members of this company can sell its shares to the outsiders.
 - iii. Kali VFX Ltd. is a public limited company. There is no limit for maximum membership for public limited company. Thus, Kali VFX Ltd can have any number of members. There is no maximum limit.

3. **Sunset Printers Pvt. Ltd. was incorporated on 5th Dec, 2015 as per the provisions of Companies Act 2013. Mr. Manoj was the only subscriber to the Memorandum and Articles of Association and he was also the only member of the company.**
 - i. **Is this company a One Person company?**
 - ii. **Will the liability of Mr. Manoj be limited or unlimited?**
 - iii. **Will the company close down on the death, insanity or insolvency of Mr. Manoj?**

Ans:

 - i. Sunset Printers Pvt. Ltd. has only one member. According to section 2(62) of the Companies Act, 2013, a one person company is a company which has only person as a member. Thus, it is a One Person Company.
 - ii. The liability of member of One Person Company is limited to the extent of his capital in the company. Thus, the liability of Mr. Manoj will be limited.
 - iii. One person company is private limited company. One of the features of private limited company is perpetual succession. The existence of the company is not affected by death, insolvency, insanity or retirement of any of its members. Thus, the company shall not close down even on death, insanity or insolvency of Mr. Manoj.

4. **On 1st Jan, 2018 Mr. John bought 100 shares of TIPS Paints Ltd. The face value of each share was ₹ 10. Mr. John paid the full amount of ₹ 1000. In Dec, 2018 the company suffered a loss of ₹ 10 crores.**
 - i. **Can the company ask Mr. John to pay any further money to the company?**
 - ii. **Which feature of joint stock company is referred to in this example?**
 - iii. **Explain the feature briefly.**

Ans:

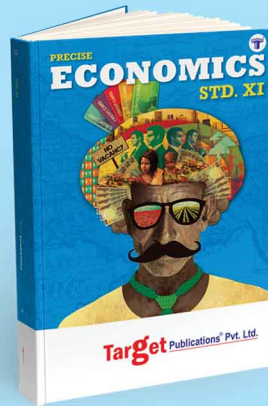
 - i. The face value of share of TIPS Paints Ltd is ₹ 10 per share. Mr. John owns 100 shares and has paid the complete face value. Mr. John thus does not have to pay further money to the company.
 - ii. The above is based on the feature of limited liability.
 - iii. The liability of the shareholders of the company is limited to the extent of the unpaid amount of face value of shares held by them. In no case can the personal property of the shareholder be used to pay off the liabilities of the company. Shareholder is not concerned with debts and liabilities of the company. In the case of Mr. John, the entire face value of share has been paid up and there is no unpaid amount left.



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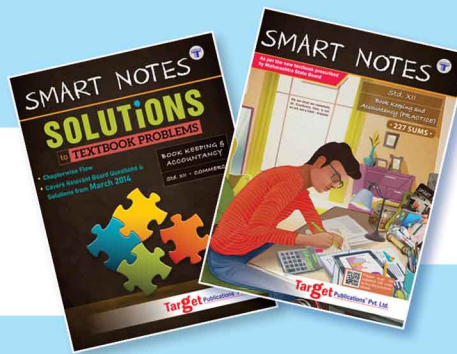


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