

CORPORATE LAWS (MCQ TEST)
CHAPTER IV – SHARE CAPITAL & DEBENTURES

Total Marks: 50 Marks
(50 Questions of 1 mark each)

Maximum Time: 1 hour

1. As per Sec 2(84), shares means -
 - (a) Share in the share capital of a company, and exclude stock
 - (b) Share in the share capital of a company, and includes stock
 - (c) Share in the share capital of a company, and includes preference share capital
 - (d) Share in the share capital of a company

2. A company having a share capital may, if so authorised by its articles, issue preference shares subject to the following conditions -
 - (a) The issue of such shares has been authorized by passing a special resolution in the general meeting of the company
 - (b) The company, at the time of such issue of preference shares, has no subsisting default in the redemption of preference share issued either before or after the commencement of Companies Act, 2013 or in payment of dividend due on any preference shares
 - (c) At the time of such issue of preference shares, company has no subsisting default in the redemption of Debentures
 - (d) Both (a) and (b)

3. The company cannot issue preference shares which is redeemable after the expiry of twenty years from the date of its issue. However, a company engaged in the setting up and dealing with of infrastructural projects, as defined in Schedule _____ to Companies Act, may issue preference shares for a period exceeding twenty years but not exceeding thirty years.

4. A company cannot issue Irredeemable Preference Shares. The statement is –
 - (a) True
 - (b) False
 - (c) Partly True
 - (d) Partly False

5. A company may convert its equity shares with equal rights into equity shares with differential rights and vice-versa. The statement is –
 - (a) True
 - (b) False
 - (c) Partly True
 - (d) Partly False

6. Every company limited by shares may issue equity shares with differential rights as to voting or dividend to the extent of -
- (a) 26 per cent of the total share capital issued
 - (b) 26 per cent of total post-issue paid up equity share capital
 - (c) 74 per cent of the total voting power
 - (d) 26 per cent of the total paid up capital
7. Which out of the following is not a pre-condition before issue of equity shares with differential rights
- (a) Company must have distributable profits for three financial years preceding such issue
 - (b) No default in Repayment of matured Deposits
 - (c) No default in Redemption of Debentures
 - (d) Authority in the Articles of Association
8. A company _____ may issue equity shares with differential rights, subject to the satisfaction of certain prescribed conditions.
9. A company may buy-back its equity shares only and not the preference shares. The statement is –
- (a) True
 - (b) Partly True
 - (c) False
 - (d) Partly False
10. Which out of the following is incorrect in relation to issue of share certificate
- (a) It shall be issued under the common seal of company, if any
 - (b) It shall be conclusive evidence of the title of the person to such shares
 - (c) A duplicate certificate of shares may be issued, if such certificate is proved to have been lost or destroyed
 - (d) A duplicate certificate of shares may be issued, if such certificate is defaced, mutilated or torn and is surrendered to the company
11. Every share certificate shall be issued as per -
- (a) Form SH-1
 - (b) Form SH-4
 - (c) Form SH-5
 - (d) Form SH-6
12. _____ Resolution is required for buy-back of shares to the extent of 10% of aggregate of paid-up equity share capital and free reserves of a company.

13. Which out of following is incorrect in relation to issue of security at premium
- (a) No prior authorization is required as per AOA
 - (b) Ordinary resolution shall be required for issue of securities at premium irrespective of amount or premium
 - (c) Amount of premium can be used for issue of fully paid bonus shares
 - (d) Amount of premium can be used for the purchase of its own shares or other securities under section 68
14. As per Sec. 53, A company may issue shares at a discount to its creditors when -
- (a) Its debt is converted into shares in pursuance of any statutory resolution plan
 - (b) Debt restructuring scheme in accordance with any guidelines or directions or regulations specified by the Reserve Bank of India
 - (c) Both (a) and (b)
 - (d) None of the above
15. In case of any non-compliance of Section 53, such company and every officer who is in default shall be liable to a penalty which may extend to
- (a) An amount equal to the amount raised through the issue of shares at a discount or 25 Lakh rupees, whichever is less
 - (b) An amount equal to the amount raised through the issue of shares at a discount or five lakh rupees, whichever is more
 - (c) An amount equal to the amount raised through the issue of shares at a discount or five lakh rupees, whichever is less
 - (d) An amount equal to the amount raised through the issue of shares at a discount or 2 lakh rupees, whichever is less
16. Shares which are issued to the employees or directors for providing know-how to the company or for making available to the company the rights in the nature of intellectual property rights or value additions shall be termed as _____.
17. Which out of the following is incorrect in relation to issue of sweat equity shares u/s 54 -
- (a) Sweat equity shares to be issued by the company should pertain to the class of shares which the company has already issued.
 - (b) Not less than one year has, at the date of such issue, elapsed since the date on which the company had commenced business
 - (c) Regulation framed by SEBI shall be duly complied with in case shares of a company are listed on a recognized stock exchange
 - (d) Authorized by a special resolution in GM is required

18. Which out of the following is incorrect in relation to issue of sweat equity shares u/s 54
- (a) The company shall not issue sweat equity shares for more than fifteen percent of the existing paid up equity share capital in a year or shares of the issue value of rupees five crores, whichever is higher:
 - (b) Issuance of sweat equity shares in the Company shall not exceed twenty five percent, of the paid up equity capital of the Company at any time
 - (c) Start-up company may issue sweat equity shares not exceeding fifty percent of its paid up capital upto ten years from the date of its incorporation or registration
 - (d) The sweat equity shares issued to directors or employees shall be locked in/non transferable for a period of 1 year from the date of allotment
19. A company may issue Sweat Equity Shares at a 100% discount. The statement is –
- (a) True
 - (b) False
 - (c) Partly True
 - (d) Partly False
20. Any issue of Bonus issue shall be as per the provisions of Section _____ of the Companies Act, 2013.
21. Which out of the following is correct in relation to issue of bonus shares by company
- (a) No need to have an authorisation from Article
 - (b) General Meeting Resolution is not required such bonus issue
 - (c) Bonus may be issued out of Capital Redemption reserve or any other capital reserve
 - (d) Company has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it
22. Which out of the following is not correct in relation to making of call by company
- (a) The call must be made by a resolution Passed by members
 - (b) Call shall be made on a uniform basis, on all shares, falling under the same class
 - (c) Shares of the same nominal value on which different amount have been paid up shall not be deemed to fall under the same class
 - (d) The call must be made strictly in accordance with the provisions of the articles of the company
23. Where the company has agreed to pay interest on calls in advance, it may be paid out of _____, if profits are not available.
24. Company engaged in infrastructure projects may issue Preference shares for a period
- (a) Period exceeding 20 years
 - (b) Period exceeding 20 years and upto 30 years

- (c) Period exceeding 20 years and upto 50 years
 - (d) Period exceeding 20 years and upto 40 years
25. Where a company is not in a position to redeem any preference shares issue further redeemable preference shares equal to the amount due in respect of the unredeemed preference shares provided
- (a) Consent has been obtained from holders of three-fourth in value of such preference shares
 - (b) With the approval of the Tribunal on a petition made by it in this behalf
 - (c) Approval of members in general meeting
 - (d) Both (a) and (b)
26. In a Rights Issue of Shares, existing equity shareholders are offered and allotted new shares on pro-rata basis. The statement is –
- (a) True
 - (b) False
 - (c) Partly True
 - (d) None of the above
27. Board of Directors of a company may make preferential allotment of shares, subject to the approval of shareholders by passing _____ resolution.
28. For preferential allotment of shares, along with the provisions of Section 62(1)(c), provisions of Section _____ are also required to be complied with.
29. As per the provisions of Sec 44 -
- (a) The shares or debentures or other interest of any member in a company shall be movable property transferable in the manner provided by the articles of the company.
 - (b) The shares or debentures or other interest of any member in a company shall be freely transferable
 - (c) The shares or debentures shall be backed by share certificate or debenture certificate
 - (d) None of above
30. Every share in a company having a share capital shall be distinguished by its -
- (a) Share certificate number
 - (b) Registered folio number
 - (c) Distinctive number
 - (d) Serial number
31. Duplicate share certificate shall be issued within _____ from the date of submission of complete documents with the company, in case of unlisted company.

- (a) 3 months from the date of submission of complete documents with the company
 - (b) 1 months from the date of submission of complete documents with the company
 - (c) 2 months from the date of submission of complete documents with the company
 - (d) 30 days from the date of submission of complete documents with the company
- 32.** Right of pre-emptive is available to existing shareholders through provisions of
- (a) Section 60
 - (b) Section 61
 - (c) Section 62
 - (d) Section 63
- 33.** Period of notice as specified in Sec 62 may be reduced in case of private limited company provided
- (a) Atleast 90% of the members of a private company have given their consent in writing or in electronic mode
 - (b) Atleast 75% of the members of a private company have given their consent in writing or in electronic mode
 - (c) Atleast 100% of the members of a private company have given their consent in writing or in electronic mode
 - (d) Article of company so provide
- 34.** Out of the following, in which of the situation, company may issue its new shares to new shareholders.
- (a) If the existing shareholder to whom the shares are offered decline to accept the shares.
 - (b) Conversion of Debentures of loans into shares
 - (c) Conversion of Debentures or loan into shares based upon the directions issued by Central Government
 - (d) All of above
- 35.** Which out of the following is incorrect in relation to underwriting commission -
- (a) Company must be authorized through its AOA to pay such commission
 - (b) In case of shares, rate of commission shall not exceed 5% of the price at which the shares are issued or Rate mentioned under articles, whichever is lower
 - (c) In case of Debentures, rate of commission shall not exceed 2.5% of the price at which the Debentures are issued or Rate mentioned under articles, whichever is lower
 - (d) Company having a Paid-Up share capital of Rs 20 Cr or more shall not pay underwriting commission of more than 1% except with approval of members by Special Resolution
- 36.** Once a buy back has been announced, company shall not proceed to announce any further buy back within a period of _____ reckoned from the date of the closure of the preceding offer of buy-back.

37. The company, after the completion of the buy-back of securities, shall file with the Registrar, and in case of a listed company with the Registrar and the Securities and Exchange Board of India, a return in Form No. _____.
38. As per Sec 69, where a company purchases its own shares out of free reserves or securities premium account, a sum equal to the nominal value of the shares so purchased shall be transferred to the _____.
39. In case of Subscriber to Memorandum, share certificate shall be issued within _____ from incorporation of company.
40. In case of private limited company, transferee being aggrieved due to rejection by company in transfer of shares, may lodge a complaint within
- (a) 30 Days from receipt of notice of rejection
 - (b) 60 Days, where no notice of rejection could be served
 - (c) 90 days where no notice of rejection could be served
 - (d) Both a and b
41. The term 'Debenture' is defined as per -
- (a) Section 2(18)
 - (b) Section 2(30)
 - (c) Section 2(19)
 - (d) Section 2(29)
42. Which out of the following statement is incorrect in relation to issue of debentures -
- (a) Companies engage in setting up of infrastructure projects may issue secured debentures for a period exceeding ten years but not exceeding 20 years
 - (b) Debentures shall be secured by the creation of a charge on the properties or assets of the company or its subsidiaries or its holding company or its associates companies, having a value which is sufficient for the due repayment of the amount of debentures and interest thereon
 - (c) In case of any issue of debentures by a Government company which is fully secured by the guarantee given by the Central Government or one or more State Government or by both, the requirement for creation of charge under this sub-rule shall not apply.
 - (d) The security for the debentures by way of a charge or mortgage shall be created in favour of the debenture trustee

43. A person shall not be appointed as a debenture trustee, if he
- (a) Beneficially holds shares in the company
 - (b) Promoter, director or key managerial personnel or any other officer or an employee of the company or its holding, subsidiary or associate company
 - (c) Beneficially entitled to moneys which are to be paid by the company otherwise than as remuneration payable to the debenture trustee
 - (d) All of the above
44. Which out of the following is not a duty of Debenture trustee
- (a) Satisfy himself that the letter of offer does not contain any matter which is inconsistent with the terms of the issue of debentures or with the trust deed
 - (b) Satisfy himself that the covenants in the trust deed are not prejudicial to the interest of the debenture holders
 - (c) Discussing the performance in Board Meeting
 - (d) Communicate promptly to the debenture holders defaults, if any, with regard to payment of interest or redemption of debentures and action taken by the trustee therefor
45. Meeting of all the debenture holders shall be convened by the debenture trustee on
- (a) Requisition in writing signed by debenture holders holding at least 1/5th in value of the debentures for the time being outstanding
 - (b) Requisition in writing signed by debenture holders holding at least 1/20th in value of the debentures for the time being outstanding
 - (c) Requisition in writing signed by debenture holders holding at least 1/10th in value of the debentures for the time being outstanding
 - (d) Requisition in writing signed by debenture holders holding at least 50% in value of the debentures for the time being outstanding
46. Debenture Trust Deed shall be executed by the company issuing debentures in favour of the debenture trustees within _____ of closure of issue of offer.
47. Every company required to create Debenture Redemption Reserve shall on or before the 30th day of April in each year, invest or deposit, as the case may be, a sum which shall not be less
- (a) 15% of the amount of its debentures maturing during the year ending on the 31st day of March of the next year
 - (b) 25% of the amount of its debentures maturing during the year ending on the 31st day of March of the next year
 - (c) 15% of the amount of its debentures maturing during the year ending on the 31st day of March of the next year and also the following year
 - (d) 25% of the amount of its debentures maturing during the year ending on the 31st day of March of the next year and also the following year

48. Every company required to create Debenture Redemption Reserve shall invest in 1 or more of the following securities
- (a) Deposits with any scheduled bank, free from any charge or lien
 - (b) Unencumbered securities of the Central Government or of any State Government
 - (c) Unencumbered securities mentioned in section 20 of the Indian Trusts Act, 1882
 - (d) All of the above
49. In case of partly convertible debentures, Debenture Redemption Reserve shall be created in respect of _____ portion of debenture only.
50. Where a company fails to redeem the debentures on the date of their maturity or fails to pay interest on the debentures when it is due, the Tribunal may, on the application of any or all of the debenture-holders, or debenture trustee and, after hearing the parties concerned, direct, by order, the company -
- (a) to redeem the debentures within next 60 days
 - (b) to redeem the debentures within next 30 days
 - (c) to redeem the debentures within next 90 days
 - (d) to redeem the debentures forthwith on payment of principal and interest due thereon.