

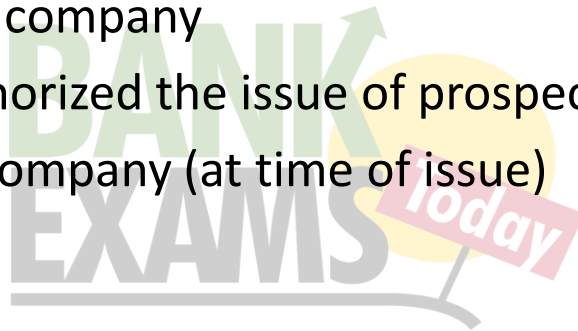


SEBI Grade A 2020 Live Quiz

Companies Act Quiz

Ques 1. In case any person who has subscribed for securities of a company has suffered loss/damage as a consequence of acting on misleading prospectus, who among the following would be liable to pay the compensation?

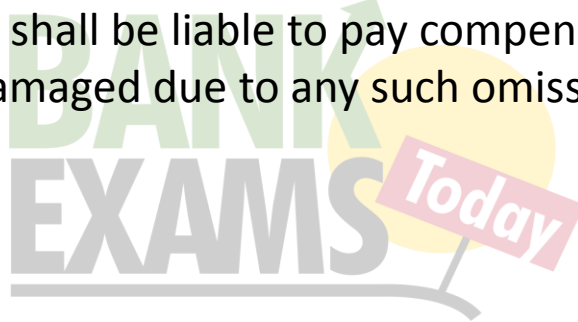
- a) Promoter of the company
- b) Person who authorized the issue of prospectus
- c) Director of the company (at time of issue)
- d) All of the above



Answer: (D) All of the above

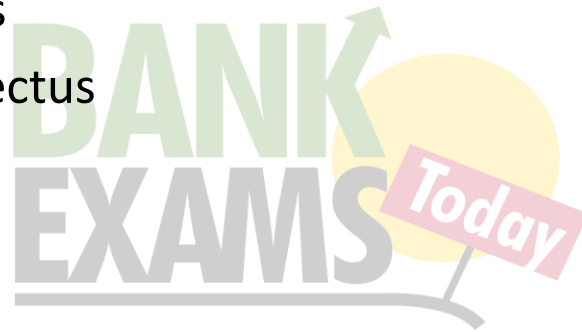
Concept: Chapter III – Section 35

Explanation: Section 35 provides for Civil liability for mis-statements/omissions in Prospectus. Each of A, B & C shall be liable to pay compensation to every such party who has sustained loss or damaged due to any such omission/inclusion of statements.



Ques 2. A prospectus which does not include complete particulars of the price of the securities is referred to as _____.

- a) Red Herring Prospectus
- b) Deemed Prospectus
- c) Shelf Prospectus
- d) Abridged Prospectus



Answer: (A) Red Herring Prospectus

Explanation: Section 32 specifies issue of Red-Herring Prospectus. It does not mention particular details about the price or quantum of securities included in them.

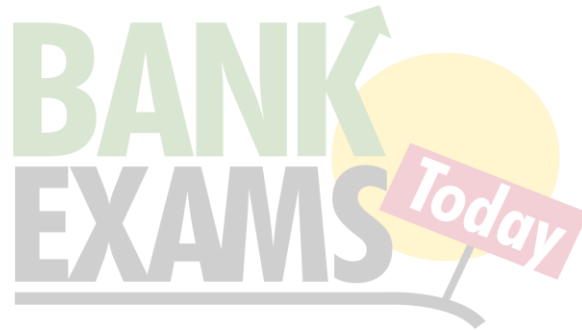
Red Herring Prospectus means a prospectus which does not include complete particulars of the quantum or price of the securities included therein.

Section 32 of the Act deals with Red Herring Prospectus. It provides that–

1. As per this section, a company proposing to make an offer of securities **may issue** a red herring prospectus prior to the issue of a prospectus.
2. A company proposing to issue a red herring prospectus shall **file it with the Registrar at least three days prior to the opening of the subscription list and the offer.**
3. **A red herring prospectus shall carry the same obligations as are applicable to a prospectus.** Any variation between the red herring prospectus and a prospectus shall be highlighted as variations in the prospectus.
4. Upon the closing of the offer of securities, the prospectus stating therein the total capital raised, whether by way of debt or share capital, and the closing price of the securities and any other details as are not included in the red herring prospectus shall be filed with the Registrar and the Securities and Exchange Board.

Ques 3. A company offering securities under private placement, shall allot them within _____ days from the date of receipt of application money.

- a) Fifteen
- b) Thirty
- c) Sixty
- d) Ten



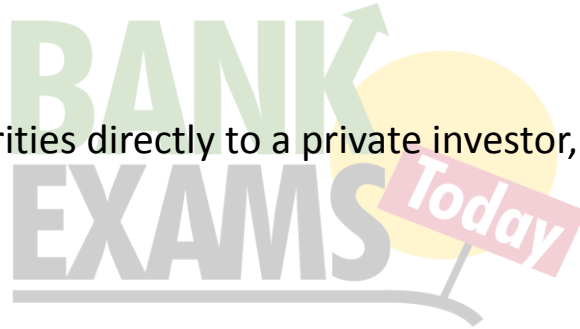
Answer: (C) Sixty

Concept: Chapter III – Part II – Section 42

Explanation: Sub-Section (6) of Section 42 clearly mentions that allotment shall be made within 60 days from date of receipt of application money. In case, company fails to do so, it would have to repay back the application money within 15 days (from date of completion of 60 days).

Private placement

A sale of stocks, bonds, or securities directly to a private investor, rather than as part of a public offering.

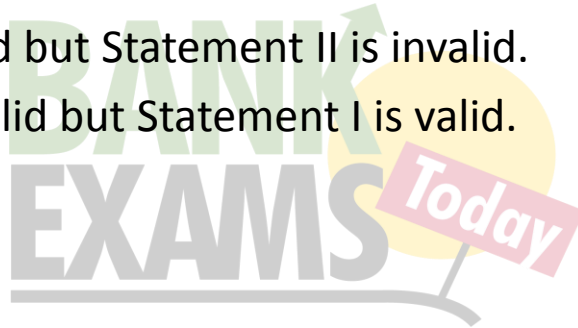


Ques 4. A duplicate share certificate can be issued in case

(I) It is proven to have been lost.

(II) It has been torn & surrendered to the company

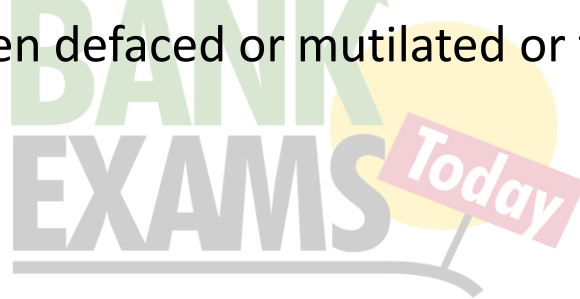
- a) Both Statement I & II are valid reasons
- b) Both Statement I & II are invalid reasons
- c) Statement I is valid but Statement II is invalid.
- d) Statement I is invalid but Statement I is valid.



Answer: (A) Both Statement I & II are valid cases

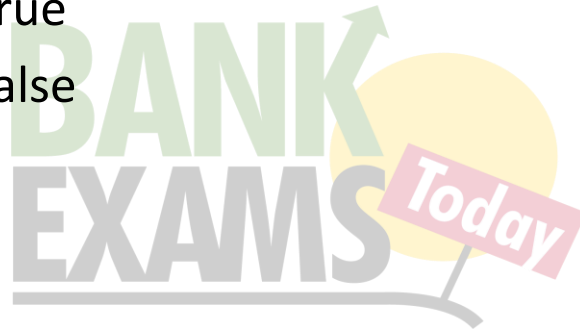
Concept: Chapter IV – Section 46

Explanation: A duplicate share certificate can be issued if the share has been lost or destroyed, has been defaced or mutilated or torn and is surrendered back to the company.



Ques 5. Which of the following statement is true regarding issue of shares?

- a) Companies cannot issue shares at discount under any circumstance
- b) Securities premium reserve can be used for writing off expenses on issue of equity shares of the company.
- c) Both A & B are true
- d) Both A & B are false



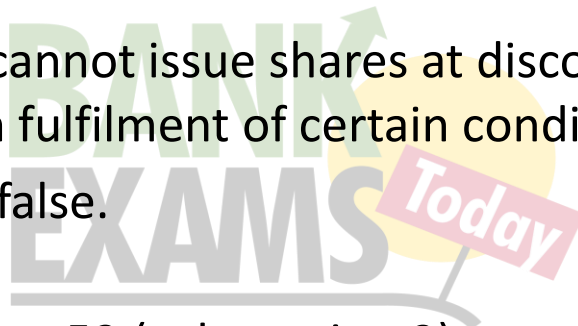
Answer: (B) Securities premium reserve can be used for writing off expenses on issue of equity shares of the company.

Concept: Chapter IV - Section 52, 53 & 54

Explanation: Companies cannot issue shares at discount except in the case of sweat equity shares upon fulfilment of certain conditions (Section 53-54).

Statement A is therefore false.

Statement B is true. Section 52 (sub-section 2) mentions in what situations can securities premium reserve be applied.



Notwithstanding anything contained in sub-section (1), the securities premium account may be applied by the company—

- (a) **towards the issue of unissued shares of the company** to the members of the company as fully paid bonus shares;
- (b) in **writing off the preliminary expenses** of the company;
- (c) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company;
- (d) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the company; or
- (e) for the purchase of its own shares or other securities under section 68.