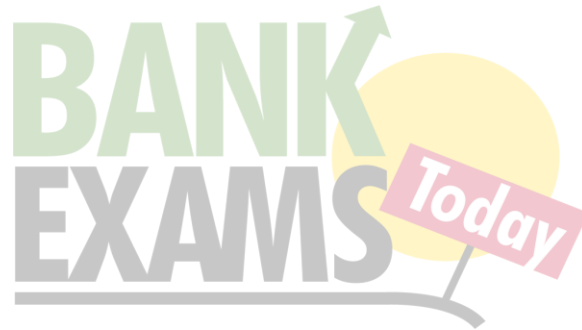


SEBI Grade A 2020 Live Quiz

EXAMIS Today
Companies Act, 2013 – Part 5

Ques 11. The Investor Education & Protection Fund can be used for:

- (I) promotion of investor awareness
 - (II) refund in aspects of unclaimed dividends & matured deposits
- a) Both I & II
 - b) Only I
 - c) Only II
 - d) Neither I nor II



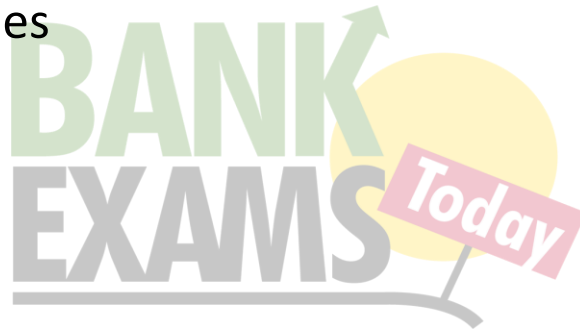
Answer: (A) Both I & II

Concept: Chapter VIII – Section 125(3)

Explanation: The fund can be utilized in respect of refunds in cases of unclaimed dividends, matured deposits, matured debentures, promotion of investors protection/awareness, reimbursement of legal expenses incurred in pursuing class action suits under sections 37 & 245 by the members etc.

Ques 12. The Investor education & protection fund was established by:

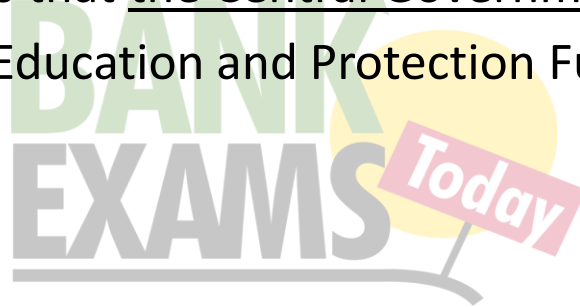
- a) SEBI
- b) Central Government
- c) RBI
- d) Private Companies



Answer: (B) Central Government

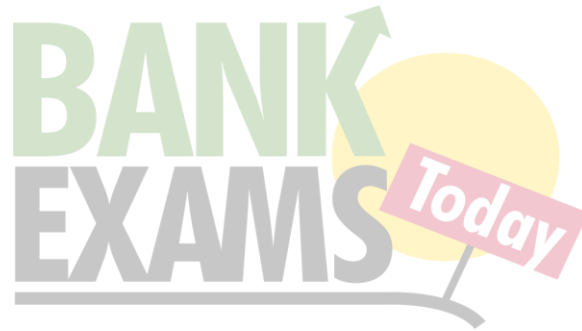
Concept: Chapter VIII – Section 125

Explanation: 125(1) states that the Central Government shall establish a Fund to be called the Investor Education and Protection Fund.



Ques 13. In case of physical shares documents, the same shall be destroyed within _____ days by the company in case of buy-back.

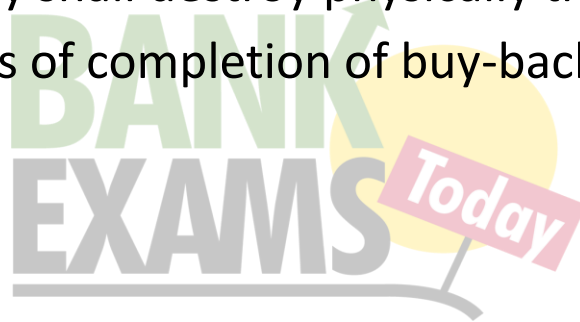
- a) 15
- b) 7
- c) 21
- d) 30



Answer: (B) 7 days

Concept: Chapter IV – Section 68(7)

Explanation: The company shall destroy physically the share/securities so bought back within 7 days of completion of buy-back.



Ques 14. Company can buy back without special resolution at the general meeting if:

- a) Buy back is less than 25% of total paid-up equity capital & free reserves
- b) Buy back is less than 49% of total paid-up equity capital & free reserves
- c) Buy back is less than 10% of total paid-up equity capital & free reserves
- d) Buy back is less than 15% of total paid-up equity capital & free reserves

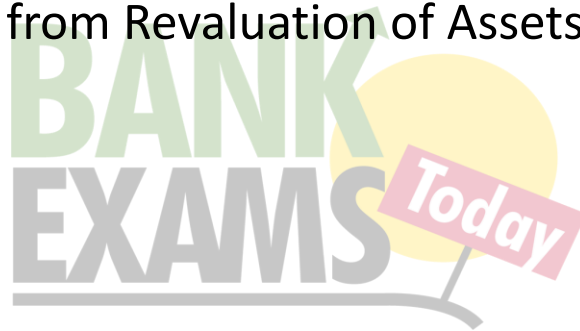
Answer: (C) Buy back is less than 10% of total paid-up equity capital & free reserves

Concept: Chapter IV – Section 68(2)

Explanation: Section 68 provides for special resolution at the general meeting in case of buy-backs. Quoting 68(2) – ‘... *Provided that nothing contained in this clause shall apply to a case where— (i) the buy-back is, ten per cent. or less of the total paid-up equity capital and free reserves of the company....*’

Ques 15. Bonus shares cannot be issued from:

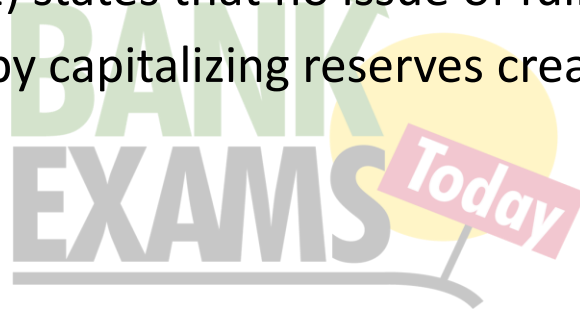
- a) Capital Redemption Reserve
- b) Securities Premium Reserve
- c) Free Reserves
- d) Reserve created from Revaluation of Assets



Answer: (D) Reserves created from Revaluation of Assets

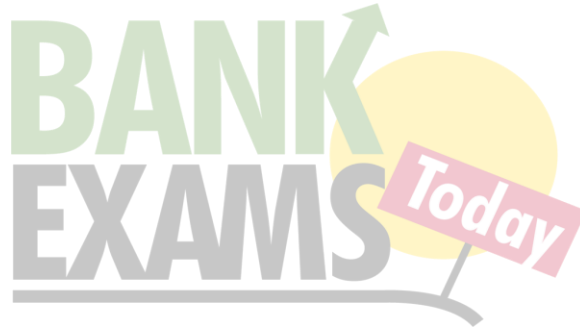
Concept: Chapter IV – Section 63

Explanation: Section 63(1) states that no issue of fully paid bonus shares to its members shall be made by capitalizing reserves created from Revaluation of Assets.



Ques 16. If any person deceitfully personates a shareholder/owner of a security, the person shall be punishable with

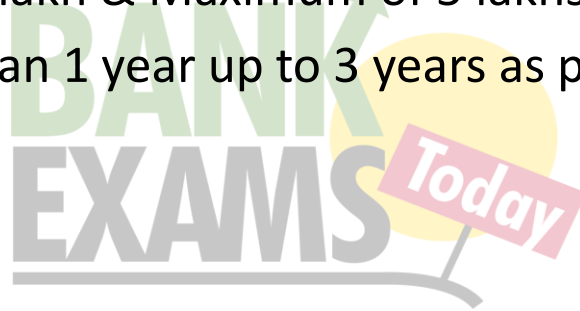
- a) Fine not less than 1 lakh
- b) Imprisonment not less than 1 lakh
- c) Either A or B
- d) Both A & B



Answer: (D) Both A & B

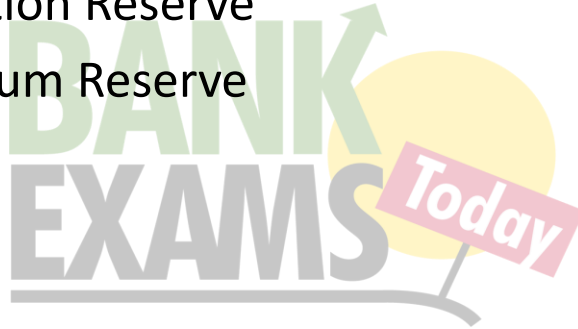
Concept: Chapter IV – Section 57

Explanation: Minimum 1 lakh & Maximum of 5 lakhs along with an imprisonment not less than 1 year up to 3 years as penalty is stated under Section 57.



Ques 17. Companies that redeem Preference shares out of profits shall transfer an amount equivalent to face value of these shares in _____ account.

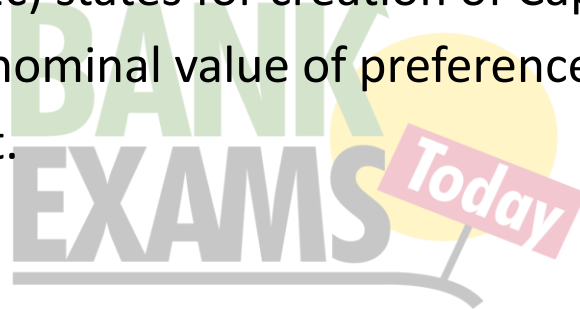
- a) General reserve
- b) Debenture Redemption Reserve
- c) Capital Redemption Reserve
- d) Securities Premium Reserve



Answer: (C) Capital Redemption Reserve

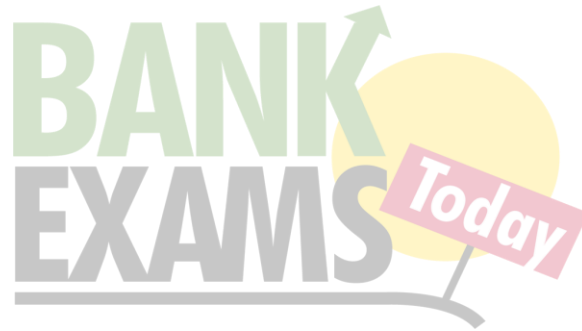
Concept: Chapter IV – Section 55

Explanation: Section 55(2c) states for creation of Capital redemption reserve and an amount equal to nominal value of preference shares to be redeemed out of be transferred to it.



Ques 18. If a company issues shares at discount (except sweat equity), in the contravention of the Companies Act, the company shall be punishable with a fine not less than _____

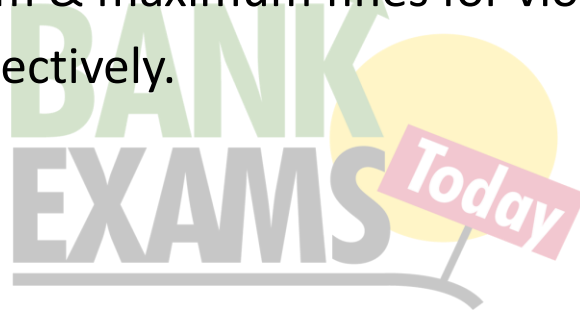
- a) 1 lakh
- b) 2 lakhs
- c) 5 lakhs
- d) 10 lakhs



Answer: (A) 1 lakh rupees

Concept: Chapter IV – Section 53

Explanation: The minimum & maximum fines for violation of this section are 1 lakh & 5 lakh rupees respectively.



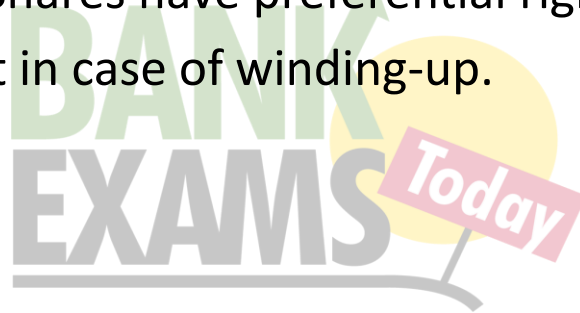
Ques 19. Given below are statements on shares:

- (I) Every share in a company having a share capital shall be distinguished by its distinctive number.
 - (II) Preference Shares carry preferential rights over repayment on winding-up.
- a) Statements I & II are true
 - b) Statements I & II are false
 - c) Statement I is true but Statement II is false.
 - d) Statement I is false but Statement I is true.

Answer: (A) Statement I & II are true

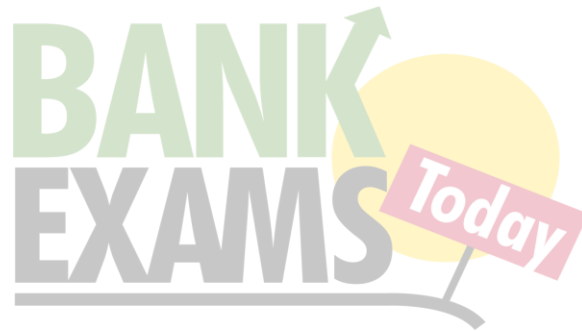
Concept: Chapter IV – Section 43 & 45

Explanation: Preference Shares have preferential right over payment of (i) dividend & (ii) repayment in case of winding-up.



Ques 20. If a company fails to return/refund the application money in case of non-allotment during the specified period in case of a private-placement, it will be liable to repay the money with interest at the rate of _____ % p.a.

- a) 10%
- b) 6%
- c) 12%
- d) 8%



Answer: (C) 12%

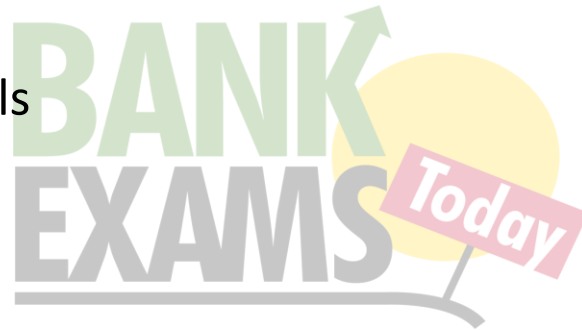
Concept: Chapter III – Part II

Explanation: Quoting from Section 42(6)

‘.....if the company fails to repay the application money within the aforesaid period, it shall be liable to repay that money with interest at the rate of twelve per cent. per annum from the expiry of the sixtieth day.’

Ques 21. All money received in case of a private placement cannot be paid through:

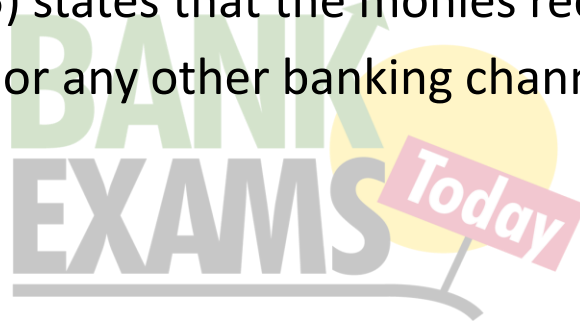
- a) Cheques
- b) Cash
- c) Demand Draft
- d) Banking Channels



Answer: (B) Cash

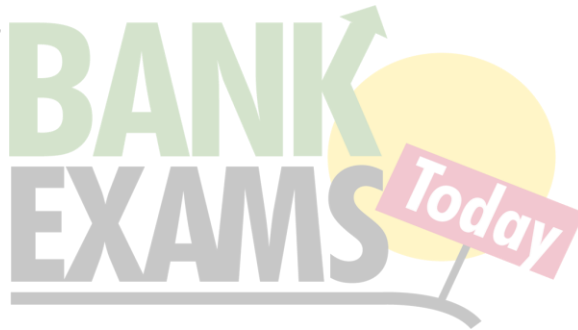
Concept: Chapter III – Part II

Explanation: Section 42(5) states that the monies received can be through cheques, demand drafts, or any other banking channels but not cash.



Ques 22. A prospectus issued for subscription in one or more class of securities is referred to as _____.

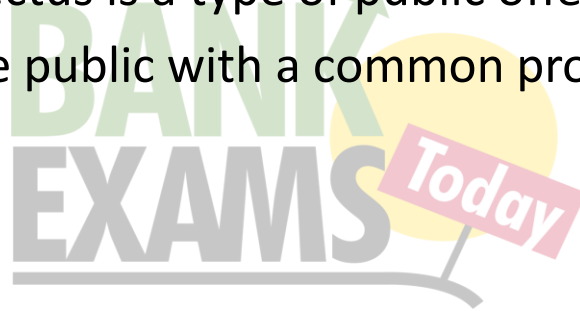
- a) Abridged Prospectus
- b) Red Herring Prospectus
- c) Shelf Prospectus
- d) None of these



Answer: (C) Shelf Prospectus

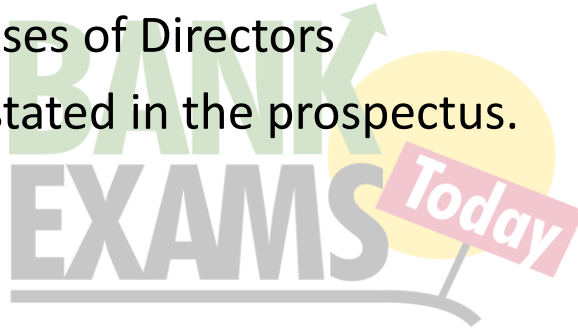
Concept: Chapter III – Section 31

Explanation: Shelf prospectus is a type of public offering that allows to offer/sell securities to the public with a common prospectus. (not separate ones).



Ques 23. Which of the following information(s) is not stated in the prospectus?

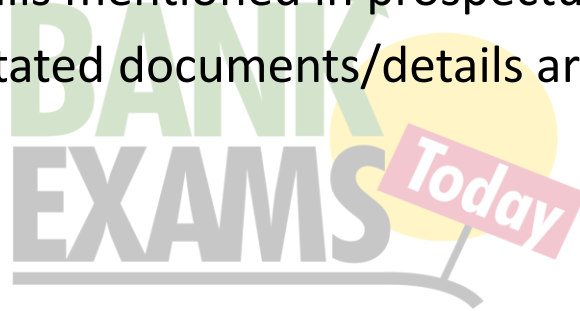
- a) Details about underwriting of the issue
- b) Capital structure of the company
- c) Names & addresses of Directors
- d) All of these are stated in the prospectus.



Answer: (D) All of these are stated in the prospectus

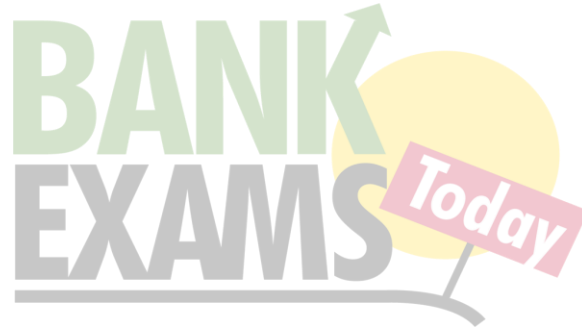
Concept: Chapter III – Section 26

Explanation: A list of details mentioned in prospectus is mentioned in Section 26(1a). All of the above stated documents/details are furnished in a prospectus.



Ques 24. In which of these ways can a private company issue 'securities'?

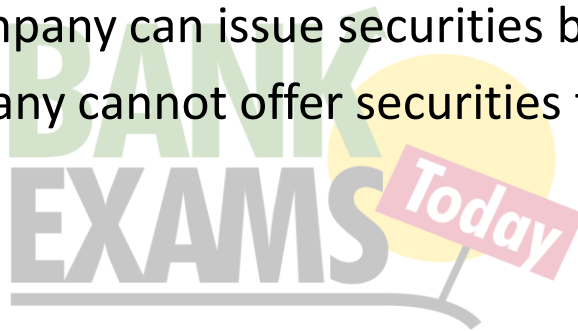
- a) Rights Issue or Bonus Issue
- b) Private Placement
- c) Offer to Public through prospectus
- d) Both A & B



Answer: (D) Both A & B

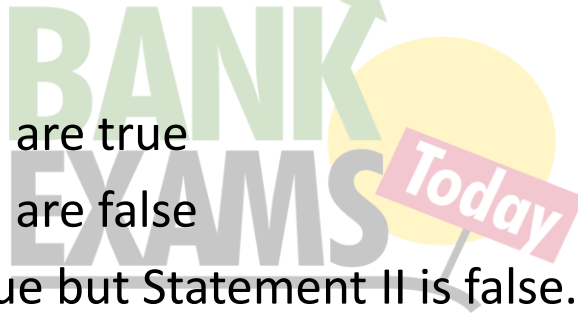
Concept: Chapter III – Section 23

Explanation: A public company can issue securities by either of (A), (B) or (C). However, a private company cannot offer securities to public through prospectus.



Ques 25. Given below are statements on qualifications/disqualifications of an auditor:

- (I) An individual shall be eligible for appointment as an auditor of a company only if he is a Chartered Accountant.
 - (II) A body corporate other than an LLP shall not be eligible for appointment as an Auditor.
- a) Statements I & II are true
 - b) Statements I & II are false
 - c) Statement I is true but Statement II is false.
 - d) Statement I is false but Statement I is true.



Answer: (A) Statement I & II are true

