

Introduction

1 Mark Questions

1. D Ltd invited applications for issuing 10,00,000 equity shares of ₹ 10 each. The public applied for 8,55,000 shares. Can the company proceed for the allotment of shares? Give reason in support of your answer (All India 2014)

Ans. No, the shares cannot be allotted because subscribed shares are less than 90% i.e. minimum subscription.

2. What is meant by paid-up capital? (Compartment 2014)

Ans. It is the amount that the shareholder has paid and the company has received against the amount called-up against the shares towards share capital.

3. What is meant by 'undersubscription'? (Compartment 2014)

Ans. Undersubscription means that number of shares applied for is less than the number of shares issued

4. What is meant by authorised capital of a company? (Compartment 2014; Foreign 2011)

Ans. According to Section 2 (8) of the Companies Act, 2013, 'authorised capital' means such capital as is authorised by the memorandum of a company to be the maximum amount of share capital of a company.

5. What is the name given to the part of capital of a company which is called-up only on winding up? (All India 2011; hots)

Ans. Part of capital of a company which is called-up only on winding up is called 'reserve capital'.

6. What are preliminary expenses? (Delhi 2010)

Ans. The expenses incurred in the promotion and formation of the company are known as preliminary expenses, such as registration fee paid to registrar of the companies, stamp duty, legal expenses, expenses regarding preparation and issue of prospectus, etc.

7. What is meant by 'capital reserve'? (All India 2010)

Ans. 'Capital reserve' is the reserve which is not free for distribution as dividend. It is mandatory to create capital reserve in case of capital profits earned by the company.

8. Give the meaning of minimum subscription? (All India 2008)

Ans. It is the amount stated in the prospectus as the minimum amount that must be subscribed. Unless the sum payable on application for the sum so stated (minimum subscription) has been paid to and received by the company by cheque or other instrument, security cannot be allotted.