

Chapter 6: Directors & Key Managerial personnel of a company

EXERCISE 1 [PAGES 97 - 100]

Exercise 1 | Q 1.01 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

_____ Comprises of a team of Director.

- Board of Directors
- Board of Trustees
- Board of Managers

SOLUTION

Board of Directors Comprises of a team of directors.

Exercise 1 | Q 1.02 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

_____ can be a director.

- An Individual
- A Firm
- A Body corporate

SOLUTION

An Individual can be a director.

Exercise 1 | Q 1.03 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.



Up to _____ as maximum directors are allowed to a company.

- five
- fifteen
- fifty

SOLUTION

Up to **fifteen** as maximum directors are allowed to a company.

Exercise 1 | Q 1.04 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

A maximum of _____ Directorships is allowed to a person.

- two
- ten
- twenty

SOLUTION

A maximum of **twenty** Directorships is allowed to a person.

Exercise 1 | Q 1.05 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

A maximum of _____ Directorships of a public company is allowed to a person.

- one
- ten
- twenty

SOLUTION

A maximum of **ten** Directorships of a public company is allowed to a person.

Exercise 1 | Q 1.06 | Page 97

QUESTION



Select the correct answer from the options given below and rewrite the statement.

_____ Is a unique identification number required to be a Director?

- PIN
- DIN
- TIN

SOLUTION

DIN is a unique identification number required to be a Director?

Exercise 1 | Q 1.07 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

_____ Powers are the powers given to the Board under the Act.

- Statutory
- Managerial
- Administrative

SOLUTION

Statutory Powers are the powers given to the Board under the Act.

Exercise 1 | Q 1.08 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

Director represents company in his role as _____

- Agent
- Managing Partner
- employee

SOLUTION

Director represents company in his role as **Agent**

Exercise 1 | Q 1.09 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

Managing Director is appointed for a period of _____ Years.

- 5
- 10
- 15

SOLUTION

Managing Director is appointed for a period of **5** Years.

Exercise 1 | Q 1.10 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

_____ is required to work under the superintendence, control, the guidance of the Boat.

- Government
- ROC
- Managing Director

SOLUTION

Managing Director is required to work under the superintendence, control, the guidance of the Boat.

Exercise 1 | Q 1.11 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

_____ Is an employee of the company?

- Alternate director



- Non-executive Director
- Whole-time director

SOLUTION

Whole-time director Is an employee of the company?

Exercise 1 | Q 1.12 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

_____ need not be a director of the company.

- Manager
- Managing Director
- Whole-time director

SOLUTION

Manager need not be a director of the company.

Exercise 1 | Q 1.13 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

_____ needs a whole time director.

- Listed company
- Partnership
- OPC

SOLUTION

A listed company needs a whole-time director.

Exercise 1 | Q 1.14 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

To provide guidance to Board is _____ duty of company Secretary

- Personal
- General
- Statutory

SOLUTION

To provide guidance to Board is **Statutory** duty of company Secretary

Exercise 1 | Q 1.15 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

Only a member of _____ Can be a practicing Company Secretary

- ICAI
- ACCA
- ICSI

SOLUTION

Only a member of **ICSI** Can be a practicing Company Secretary

Exercise 1 | Q 1.16 | Page 97

QUESTION

Select the correct answer from the options given below and rewrite the statement.

_____ is to be prepared in prescribed form MR -3.

- Annual Report
- Auditors Report
- Secretarial Audit Report

SOLUTION

Secretarial Audit Report is to be prepared in prescribed form MR -3.

Exercise 1 | Q 2.1 | Page 98

QUESTION



Match the pairs:

Group 'A'	Group 'B'
a) Board of Directors	1) Nominated by the Board
b) Managing Director	2) Assists and advises the Board
c) Company Secretary	3) Automatic Appointment
d) First Directors	4) Appointed by ROC
e) Alternate Director	5) Extensive Powers of management
	6) Substantial Powers of management
	7) Appointed by Promoter
	8) Assists and Advises the Government
	9) Negligible Powers of management
	10) Nominated by Council

SOLUTION

Group 'A'	Group 'B'
a) Board of Directors	Extensive Powers of management
b) Managing Director	Substantial Powers of management
c) Company Secretary	Assists and advises the Board
d) First Directors	Appointed by Promoter
e) Alternate Director	Nominated by the Board

Exercise 1 | Q 2.2 | Page 98

QUESTION

Match the pairs:

Group 'A'	Group 'B'
a) Public company	1) Arises due to death of Director
b) Private company	2) Collective Powers
c) Secretarial Auditor	3) Individual Powers to Directors
d) Casual Vacancy of a Director	4) Arises due to additional work
e) Powers of the Board	5) Appointed by Managing Director
	6) At least 2 (two) Directors
	7) At least 3 (three) Directors



	8) At least 15 (fifteen) Directors
	9) At least 1 (one) Director
	10) Appointed by the Board

SOLUTION

Group 'A'	Group 'B'
a) Public company	At least 3 (three) Directors
b) Private company	At least 2 (two) Directors
c) Secretarial Auditor	Appointed by the Board
d) Casual Vacancy of a Director	Arises due to death of Director
e) Powers of the Board	Collective Powers

Exercise 1 | Q 3.01 | Page 98

QUESTION

Write a word or a term or a phrase which can substitute the following statement:

The organization with a distinct features of separate ownership and management.

SOLUTION

Joint stock company

Exercise 1 | Q 3.02 | Page 98

QUESTION

Write a word or a term or a phrase which can substitute the following statement:

The officer responsible for company's finances

SOLUTION

Chief Financial Officer

Exercise 1 | Q 3.03 | Page 98

QUESTION

Write a word or a term or a phrase which can substitute the following statement:



The body of elected representatives of company.

SOLUTION

The Board of Directors

Exercise 1 | Q 3.04 | Page 98

QUESTION

Write a word or a term or a phrase which can substitute the following statement:

The officer who is a statutory and administrative officer and also acts as co-coordinator of the company.

SOLUTION

Company Secretary

Exercise 1 | Q 3.05 | Page 98

QUESTION

Write a word or a term or a phrase which can substitute the following statement:

Qualification required being a Company Secretary.

SOLUTION

Member of ICSI

Exercise 1 | Q 3.06 | Page 98

QUESTION

Write a word or a term or a phrase which can substitute the following statement:

Agents, Trustees and Managing Partners of the company.

SOLUTION

The Board of Directors

Exercise 1 | Q 3.07 | Page 98

QUESTION

Write a word or a term or a phrase which can substitute the following statement:



Audit which checks compliances of different legislations.

SOLUTION

Secretarial Audit

Exercise 1 | Q 3.08 | Page 98

QUESTION

Write a word or a term or a phrase which can substitute the following statement:

This KMP signs document of the company requiring authentication by the company.

SOLUTION

Company Secretary

Exercise 1 | Q 3.09 | Page 98

QUESTION

Write a word or a term or a phrase which can substitute the following statement:

The nature of the relationship of Director with the company.

SOLUTION

Fiduciary

Exercise 1 | Q 3.10 | Page 98

QUESTION

Write a word or a term or a phrase which can substitute the following statement:

Name the secretarial standard-I

SOLUTION

Secretarial Standard on meetings of the Board of Directors (BOD)

Exercise 1 | Q 3.11 | Page 98

QUESTION

Write a word or a term or a phrase which can substitute the following statement:



Name the secretarial standard-2

SOLUTION

Secretarial Standard on General Meeting

Exercise 1 | Q 3.12 | Page 98

QUESTION

Write a word or a term or a phrase which can substitute the following statement:

Name the secretarial standard-3

SOLUTION

Secretarial1 Standard on Dividend.

Exercise 1 | Q 4.01 | Page 99

QUESTION

State whether the following statement is True or False.

A large number of shareholders necessitates the company to have a separate managerial body.

- True
- False

SOLUTION

True

Exercise 1 | Q 4.02 | Page 99

QUESTION

State whether the following statement is True or False.

The maximum number of Directors allowed to a company is 15 (fifteen).

- True
- False

SOLUTION

True

QUESTION

State whether the following statement is True or False.

A public company should have a minimum of 10 (ten) directors

- True
- False

SOLUTION

False

QUESTION

State whether the following statement is True or False.

DIN is required for Secretaryship.

- True
- False

SOLUTION

False

QUESTION

State whether the following statement is True or False.

Executive Director is called as outside Director.

- True
- False

SOLUTION

False

QUESTION

State whether the following statement is True or False.



Promoter of a company cannot be the Independent Director.

- True
- False

SOLUTION

True

Exercise 1 | Q 4.07 | Page 99

QUESTION

State whether the following statement is True or False.

Only individuals can be directors.

- True
- False

SOLUTION

True

Exercise 1 | Q 4.08 | Page 99

QUESTION

State whether the following statement is True or False.

The casual vacancy of the Board is filled by the members.

- True
- False

SOLUTION

False

Exercise 1 | Q 4.09 | Page 99

QUESTION

State whether the following statement is True or False.

To function as per the Articles of Association of the company is the statutory duty of the Board.

- True



- False

SOLUTION

True

Exercise 1 | Q 4.10 | Page 99

QUESTION

State whether the following statement is True or False.

A Director is an employee of the company.

- True
- False

SOLUTION

False

Exercise 1 | Q 4.11 | Page 99

QUESTION

State whether the following statement is True or False.

Managing Director is appointed by a resolution.

- True
- False

SOLUTION

True

Exercise 1 | Q 4.12 | Page 99

QUESTION

State whether the following statement is True or False.

Minimum and Maximum age to be a Managing Director is 21 and 70; respectively.

- True
- False

SOLUTION

True



QUESTION

State whether the following statement is True or False.

A company may appoint more than one M. D.

- True
- False

SOLUTION

True

QUESTION

State whether the following statement is True or False.

Indian companies prefer a Managing Director over a Manager.

- True
- False

SOLUTION

True

QUESTION

Find the odd one.

- Woman Director
- Promoter
- Executive Director

SOLUTION

Promoter

QUESTION

Find the odd one.

- Absent at Board Meeting
- failure to disclose interest
- DIN

SOLUTION

DIN

Exercise 1 | Q 6.01 | Page 99

QUESTION

Complete the sentence.

Separate ownership and management is a unique feature of_____

SOLUTION

Separate ownership and management is a unique feature of the **Company**.

Exercise 1 | Q 6.02 | Page 99

QUESTION

Complete the sentence.

Minimum number of Directors for a private company should be_____

SOLUTION

The minimum number of Directors for a private company should be **Two**.

Exercise 1 | Q 6.03 | Page 99

QUESTION

Complete the sentence.

Minimum number of Directors for a public company should be _____

SOLUTION

Minimum number of Directors for a public company should be **Three**

Exercise 1 | Q 6.04 | Page 99

QUESTION

Complete the sentence.



Minimum number of Directors for an OPC should be _____

SOLUTION

Minimum number of Directors for an OPC should be **One**.

Exercise 1 | Q 6.05 | Page 99

QUESTION

Complete the sentence.

First Directors of a company are appointed by _____

SOLUTION

First Directors of a company are appointed by **Promoters**.

Exercise 1 | Q 6.06 | Page 99

QUESTION

Complete the sentence.

At least one Woman Director is required by _____ company.

SOLUTION

At least one Woman Director is required by **Listed** company.

Exercise 1 | Q 6.07 | Page 99

QUESTION

Complete the sentence.

Casual vacancy on Board is filled by _____.

SOLUTION

A casual vacancy on Board is filled by **Board**.

Exercise 1 | Q 6.08 | Page 99

QUESTION

Complete the sentence.

Director is the guardian of interest of the company as _____.

SOLUTION

Director is the guardian of the interest of the company as **Trustees**.



QUESTION

Complete the sentence.

First Secretary is appointed by _____.

SOLUTION

First Secretary is appointed by **Promoters**.

QUESTION

Complete the sentence.

The audit which checks the compliance of Companies Act is called as _____.

SOLUTION

The audit which checks the compliance of the Companies Act is called as **Secretarial Audit**.

QUESTION

Select the correct option from the bracket:

Group A	Group B
Rotational Director	_____

- Every Listed Company
- Appointed by Promoters
- Appointed in place of a Director who is absent
- Retire by rotation

SOLUTION

Group A	Group B
Rotational Director	Retire by rotation

QUESTION



Select the correct option from the bracket:

Group A	Group B
_____	Alternate Director

- Every Listed Company
- Appointed by Promoters
- Appointed in place of a Director who is absent
- Retire by rotation

SOLUTION

Group A	Group B
Appointed in place of a director who is absent	Alternate Director

Exercise 1 | Q 7.3 | Page 100

QUESTION

Select the correct option from the bracket:

Group A	Group B
Women Director	_____

- Every Listed Company
- Appointed by Promoters
- Appointed in place of a Director who is absent
- Retire by rotation

SOLUTION

Group A	Group B
Women Director	Every Listed Company

Exercise 1 | Q 7.4 | Page 100

QUESTION

Select the correct option from the bracket:

Group A	Group B
---------	---------



- Every Listed Company
- Appointed by Promoters
- Appointed in place of a Director who is absent
- Retire by rotation

SOLUTION

Group A	Group B
Appointed by Promoters	First Director

Exercise 1 | Q 8.1 | Page 100

QUESTION

Answer in one sentence.

Who is the officer responsible for the Company's financial plan?

SOLUTION

The Chief Financial (Finance) Officer (CFO) is responsible for the company's financial plan.

Exercise 1 | Q 8.2 | Page 100

QUESTION

Answer in one sentence.

What is the importance of Secretarial Standards?

SOLUTION

The secretarial standards help the organization to achieve integration, harmonization and standardization of the corporate governance practices across all companies.

Exercise 1 | Q 8.3 | Page 100

QUESTION

Answer in one sentence.

Who provides guidance to the Board of Directors?

SOLUTION

Company Secretary provides guidance to the Board of Directors.

Exercise 1 | Q 8.4 | Page 100

QUESTION

Answer in one sentence.

What is the tenure of the 'Managing Director'?

SOLUTION

The tenure of the 'Managing Director' is 5 years.

Exercise 1 | Q 9.1 | Page 100

QUESTION

Correct the underlined word and rewrite the following sentence:

Public company must have minimum 15 Directors.

SOLUTION

A public company must have minimum **03** Directors

Exercise 1 | Q 9.2 | Page 100

QUESTION

Correct the underlined word and rewrite the following sentence:

First Directors are appointed by ROC.

SOLUTION

First Directors are appointed by **Promoters**.

Exercise 1 | Q 9.3 | Page 100

QUESTION

Correct the underlined word and rewrite the following sentence:

Secretarial Standards are given by the Companies Act, 2013.

SOLUTION

Secretarial Standards are given by the **Institute of Companies secretaries of India (ICSI)**



EXERCISE 2 [PAGE 100]

Exercise 2 | Q 1 | Page 100

QUESTION

Explain the following Term/Concept:

Director.

SOLUTION

(1) Section 2 (34) of the Companies Act, 2013 defines "a Director means a director appointed to the Board of the Company". He is a person appointed to manage, direct, governor control, and supervise the affairs of the company. Only an individual and not a body corporate, association, or firm can act as a director. Directors are the men of commercial skill and business tact.

(2) Directors are authorized by the shareholders to utilize the capital, acquire the assets, and appoint capable personnel to conduct the affairs of the Company. A director works in a number of capacities Viz. as an agent, as a trustee, and as a managing partner.

Exercise 2 | Q 2 | Page 100

QUESTION

Explain the following Term/Concept:

Managing Director.

SOLUTION

(1) According to Section 2 (54) of the Companies Act 2013, Managing Director is a Director who has been entrusted with substantial powers of management under an agreement or by a resolution passed by the company at its general meeting or by the Board of Directors. Appointment of Managing Director is made for a term of 5 years. He is appointed by the Board of Directors.

(2) The managing director works under the superintendence, control, and direction of the Board of Directors. He is responsible for the implementation of the policies framed by the Board. He acts as a link between the Board and the staff of the company. He is responsible for the day-to-day administration of the affairs of the company.

Exercise 2 | Q 3 | Page 100

QUESTION

Explain the following Term/Concept:

Independent Director.



SOLUTION

(1) As per Section 149 of the Companies Act, 2013. "Any director other than a Managing Director, Whole Time Director, or a Nominee Director is an Independent Director." He holds office for a term up to 5 consecutive years and is eligible for reappointment. He is expected to possess skills, experience, and knowledge of different fields like law, management, sales, market, administration, corporate governance, and technical process (operation) concerning the company's business.

(2) In a listed Public Company, 1/3 % of its total number of directors should be independent directors. In other public company at least 2 directors should be independent directors. He cannot hold office for more than 2 consecutive terms.

Exercise 2 | Q 4 | Page 100

QUESTION

Explain the following Term/Concept:

Executive Director.

SOLUTION

(1) An executive director is a chief executive officer, (CEO) or Managing Director of an organization or a company. The title of the executive director is widely used in North American Nonprofit organizations. He is a member of the Board of an arm who has managerial responsibility. He is a working director of an organization usually its full-time employee and has to manage and complete specified daily operations of the company.

(2) Executive Director is also called Whole Time Director (WTD). He is responsible for specific programs or services that are assigned to him by the board of directors or managing director and are given suitable titles like Marketing Director, Finance Director, etc.

Exercise 2 | Q 5 | Page 100

QUESTION

Explain the following Term/Concept:

Non-Executive Director.

SOLUTION

(1) A non-executive director is a member of the company's Board of Directors who is not part of the executive team. He holds no executive managerial position. A non-executive director does not engage in the day-to-day management of the organization but he is involved in policymaking and planning exercises.

(2) A non-executive director is a full-time member of the company's Board of Directors and responsible as part of the board for the success of the company. The idea behind his



appointment is to get new independent ideas, perspectives, second opinion, and alternate voice to the Board.

Exercise 2 | Q 6 | Page 100

QUESTION

Explain the following Term/Concept:

Alternate Director.

SOLUTION

(1) A director who may act in place of another is called the alternate director. He is appointed or nominated by the Board to act in the place of the existing director who is absent or sick and unable to attend his normal duties or office. The appointment of an alternate director cannot be less than 3 months.

(2) The Board of Directors of the company may appoint alternate directors in the place of an existing director who is going out of the state and Board meeting cannot be postponed till his arrival. His appointment is valid until the existing director return to the state.

Exercise 2 | Q 7 | Page 100

QUESTION

Explain the following Term/Concept:

Casual vacancy of a Director.

SOLUTION

(1) Casual vacancy of a director may arise due to different reasons such as death, permanent or temporary disablement, sickness, and resignation, etc. of a director. The Board of directors has to fill up the casual vacancy by appointing additional or opted directors at the Board meeting.

(2) The appointment of additional or co-opted directors is valid only up to the time of the vacating director's incomplete term.

Exercise 2 | Q 8 | Page 100

QUESTION

Explain the following Term/Concept:

Chief Financial Officer

SOLUTION



(1) Chief financial officer (CFO) is the officer of a company that has primary responsibility for managing the company's finances which include financial planning, management of financial risks, record-keeping, and financial reporting. In some sectors of the economy, CFO is also held responsible for the analysis of financial data. He helps in analyzing and recognizing the company's financial strengths and weaknesses.

(2) CFO is required to provide accurate and timely financial information to the company for the decision-making process. He may be appointed as a permanent employee in the rolls of the company or for a certain period of time on a contractual basis. He need not be the director of the company. He is required to sign audited financial statements of the company.

Exercise 2 | Q 9 | Page 100

QUESTION

Explain the following Term/Concept:

Company Secretary

SOLUTION

(1) Secretary is an employee of the company enjoying powers to aid and advise the management. He must be an individual and a member of the Institute of Company Secretaries of India (ICSI). He is a statutory officer, a co-ordinator, and an administrative officer of the company. He is a full-time principal officer of a company. The first secretary of a company is appointed by the promoters of the company. He is called as "Pro tem Secretary". The formal appointment is done by the Board of Directors by passing a board resolution to that effect. This resolution mentions the remuneration and allowances payable to a secretary.

(2) Secretary acts as the agent of the Board and helps the Managing Director to execute the plans and policies of the company. He is responsible for the secretarial work and efficient administration of the company. The Secretary forms part of the bottom level management. He is considered to be the eyes, ears, and hands of the company.

Exercise 2 | Q 10 | Page 100

QUESTION

Explain the following Term/Concept:

Secretarial Standard

SOLUTION

(1) Secretarial Standards (SS) means Secretarial standards as issued by the Institute of Company Secretaries of India constituted under Section 3 of the Company Secretaries Act 1980 and approved by the Central Government through the Ministry of Corporate



Affairs. The 85-1 and 88-2 are approved by the Central Government and mandatory to be observed by all companies in

(2) The secretarial standard are reviewed by Secretarial Standard Board (888) once in a year or whenever there is a substantial change in the law whichever is earlier. Institute of Company Secretaries of India (ICSI) has prepared and issued as many as 10 Secretarial Standards.

Exercise 2 | Q 11 | Page 100

QUESTION

Explain the following Term/Concept:

Secretarial Audit

SOLUTION

(1) Secretarial Audit is an audit to check implementation (compliance) of various legislations including the Companies Act and other corporate and economic laws applicable to the company. It is a mechanism to monitor compliance requirements. It aims at detecting mistakes or errors in the compliance mechanisms.

(2) Secretarial Audit helps the company to avoid risks and losses due to non-compliance. It creates confidence among regulators, management, and stakeholders that the company is following a disciplined approach of evaluation and improve effectiveness, risk management, control, and governance.

Exercise 2 | Q 12 | Page 100

QUESTION

Explain the following Term/Concept:

The Board of Directors

SOLUTION

(1) The directors are the elected representatives of the shareholders who are appointed for directing, governing, or controlling the policy or management of the company. The directors exercise their powers collectively as a Board. Thus, the Board of Directors is the policy-framing and decision-making organ of the company.

(2) The top-level management of the company comprises the Board of Directors which is a group of Directors. The Board of Directors is the highest body of the company with extensive powers, comprising of several Directors who are experts in different fields and appointed as per the provisions of the Companies Act. The Board Of Directors of the company is assisted by several persons such as managing director, company Secretary Chief Financial Officer, etc. to assure efficient and effective management and administration of the company.



EXERCISE 3 [PAGES 100 - 101]

Exercise 3 | Q 1 | Page 100

QUESTION

Study the following case/situation and express your opinion.

Mr. A is a commerce graduate. He has vast experience in the field of finance and the financial market. He wishes to become director of PQR co Ltd :

- (a) Is he required to obtain DIN?
- (b) Can PQR Co. Ltd. object to his directorship on lack of specialized qualification
- (c) If he is appointed as director of PQR Co Ltd, is he entitled to remuneration?

SOLUTION

- (a) Mr. A is required to obtain the Director Identification Number (DIN) before becoming a director.
- (b) PQR Co. Ltd. cannot object to the directorship of Mr. A on a lack of specialised qualification. This is because the Companies Act has not prescribed any academic or professional qualifications for the director.
- (c) If Mr. A is appointed as director of PQR Co. Ltd., he is entitled to get managerial remuneration in the form of monthly payment like salary, Specified percentage of net profits or commission and sitting fees for attending Board meetings or Committee meetings.

Exercise 3 | Q 2 | Page 100

QUESTION

Study the following case/situation and express your opinion.

Mr. Z is a member of Institute of Company Secretaries of India:

- (a) Can Mr. Z be appointed as pro-tem Secretary of LMN Ltd. which is under formation?
- (b) Can Mr. Z work as a secretarial Auditor?
- (c) Mr. Z wishes to be employed as whole time Secretary in companies ABC Ltd. and OPC Ltd. Is he allowed?

SOLUTION

- (a) Mr. Z can be appointed as pro-tem Secretary of LMN Ltd. as he is a member of the Institute of Company Secretaries of India (ICSI).



(b) Mr. Z can work as a secretarial auditor as he is a member of ICSI, holding a certificate of practice.

(c) Mr. Z is not allowed to work as whole time Secretary in Companies ABC Ltd. and CFO Ltd. This is because the whole time secretary cannot hold office in more than one company.

Exercise 3 | Q 3 | Page 101

QUESTION

Study the following case/situation and express your opinion.

Mr. M wishes to be the Managing director of QRS Ltd:

(a) The age of Mr. M is 30 years. Can he be appointed as MD of a company?

(b) Is it necessary that Mr. M should be one of the directors on the Board of QRS Ltd.?

(c) For how long a period QRS Ltd. can appoint Mr. M. as Managing Director?

SOLUTION

(a) Mr. M's age is 30 years. He can be appointed as Managing Director (MD) of a company. He is not less than 21 years and more than 70 years of age.

(b) Mr. M must be one (necessarily) of the directors on the Board of QRS Ltd.

(c) QRS Ltd. can appoint Mr. M as Managing ' Director for a term of 5 years.

EXERCISE 4 [PAGE 101]

Exercise 4 | Q 1 | Page 101

QUESTION

Distinguish between the following:

Director and Managing Director

SOLUTION

Sr. No.	Director	Managing Director
1	An elected representative of the shareholders who is elected for directing, governing or controlling the policy or management of a company is called a Director.	A Director who is appointed from "amongst the Directors as a Chief Executive Officer and entrusted with the substantial powers of management is Called a Managing Director.



2	A Director is elected and appointed by the shareholders at the Annual General Meeting.	A Managing Director is appointed Directors from amongst themselves'
3	A person can act as a director in 20 companies at a time out of Which not more than 10 public companies at a time.	A person can act as a managing director of 2 companies at a time by resolution by the Board of 2nd company
4	The period of his term is 3 years and the Director is required to retire after 3 years of his appointment by rotation.	He is appointed for a maximum period of 5 years at a time and is not subject to retirement by rotation as long as he holds his office.
5	Directors are given remuneration if there is a specific provision to that effect made in the Articles. Directors are given fees to attend Board meetings which may be up to Rs 1 lakh and other prescribed remuneration.	The managing director is entitled to get a monthly salary or a 5 percent commission on net profits earned by the company.
6	A Director works in only one capacity, i.e. as a Director.	He works in two capacities, v12. that of a Dir and that of a Managing Director

Exercise 4 | Q 2 | Page 101

QUESTION

Distinguish between the following:

Managing director and Manager

SOLUTION

Sr. No.	Managing director	Manager
1	The Managing Director is the representative or Chief Executive Officer of the Board as far as administration and management of the company are concerned.	A director or a person from the public appointed by the company as a Chief Executive Officer or an in-charge of the whole or substantially whole management of the company is called the manager.
2	Managing Director is entrusted With or enjoys substantial powers of management.	A manager is given routine power of management by the Board.
3	The Managing Director must be a Director of the company.	Manager need not be a director of the company
4	A company can have more than one Managing Director.	A company can have only one manager.
5	A Managing Director is first a	A manager is a regular employee of the



	Director and then an employee.	company.
6	If more than one Managing Director is appointed, the maximum remuneration cannot be more than 10% of the net profit of the company.	Maximum remuneration to a manager cannot be more than 5 % of the net profit of the company.

Exercise 4 | Q 3 | Page 101

QUESTION

Distinguish between the following:

Managing Director and Whole Time Director

SOLUTION

Sr. No.	Managing director	Whole Time Director
1	A Director who is appointed from amongst the Directors as a Chief Executive Officer and entrusted with the substantial powers of management is called a Managing Director.	A Director Who is appointed by the company under a special contract of service as a full-time employee is called a Whole-time Director.
2	He is appointed for a period of a maximum of five years at a time and is not subject to retirement by rotation as long as he holds his office.	He is a full-time employee of the company. The terms and conditions of his appointment are regulated by the contract of service.
3	He can work as Managing Director in not more than two companies.	He is a full-time employee of the company and, therefore, cannot work in another company.
4	Managing director entrusted with or enjoys substantial powers of management.	The whole-time director's powers are defined by the terms of appointment. He does not have discretionary powers to take decisions on policy matters.
5	A company may appoint either a Managing Director or a Manager. A Manager cannot be appointed along With the Managing Director. A Manager is generally appointed by small companies, in the place of the Managing Director.	A company can appoint a Whole-time Director simultaneously with the Manager or Managing Director. A whole-time Director is generally appointed by big companies to assist the Manager or the Managing Director.

EXERCISE 5 [PAGE 101]

Exercise 5 | Q 1 | Page 101



QUESTION

Answer in brief:

What is DIN?

SOLUTION

DIN stands for Director Identification Number. It is a unique 8 digit identification number allotted for an existing director or person to be appointed as a director. It is compulsory to obtain DIN by every director. DIN is a prerequisite for the e-filing of the company's documents. Director is required to mention his DIN on every document he signs and authorizes. DIN once issued cannot be cancelled even on the resignation of a person as a director. DIN helps in the detection and handling of offences committed by a director.

Exercise 5 | Q 2 | Page 101

QUESTION

Answer in brief:

State any four powers of the Board of Directors.

SOLUTION

Powers of Board of Directors:

(1) Board of Directors has the power to borrow money. For expansion, modernization, and development of the company by applying to the bank for loan and overdraft facility, by the issue of debentures of different types and by the issue of bonds.

(2) It has the power to invest surplus or idle funds in short term or long term securities as per the requirement of the company.

(3) It has the power to appoint or remove key managerial personnel (KMP) such as managing director, company secretary, chief financial officer, etc.

(4) It has the power to fill casual vacancies by appointing additional, alternate or co-opted directors;

Exercise 5 | Q 3 | Page 101

QUESTION

Answer in brief:

Mention any four ways in which the office of a Director becomes vacant.

SOLUTION

The office of a director becomes vacant in the following ways:



(1) Any disqualification under Section 164 of the Companies Act 2013: If a person adjudicated as insolvent by the court or becomes unsound mind or convicted by the court for any offence cannot continue as a director. He has to vacate his office for such reason.

(2) Absentee at Board Meeting under Section 167 of the Act: If a director remains absent in the meeting of the Board of Directors held (a period of 12 months with or without taking leave of absence from the Board.

(3) Contravention of Provisions of Act: If a director is acted in contravention of a provision or section 184 which is related to entering into contracts where he is directly or indirectly Interested.

(4) Imprisonment for an offence: If a director is convicted by a court of law for an offence involving moral grounds or otherwise and for such offence sentenced to imprisonment of 6 months or more, he has to vacate his office.

Exercise 5 | Q 4 | Page 101

QUESTION

Answer in brief:

State any four powers of Managing Directors.

SOLUTION

The powers of the Managing Director:

(1) Power (Right) to sit on the Board as a presiding officer. He has the right to attend Board meetings and participate in the formation of the policy of the company.

(2) He has the right to vote on all the resolutions passed at the Board Meeting. He has the power to assert his voice in all important policy decisions.

(3) He has the power to borrow money for the purpose of conducting business and also has the power to invest surplus or idle funds of the company. He has the power to make loans in the ordinary course of business.

(4) He has the power to appoint staff in the organization. He has the power to supervise and control the entire staff and organization. He has the power to issue guidelines to departmental heads and senior executives for the successful implementation of decisions of the Board.

Exercise 5 | Q 5 | Page 101

QUESTION

Answer in brief:

State the Statutory Duties of a Company Secretary.



SOLUTION

Statutory duties of a Company Secretary:

- (1) To organize and attend all the meetings of the company including Board meetings and furnish relevant statistical information, records, documents, etc. required for the meeting. To assist the Chairman in conducting the proceedings of the meeting smoothly.
- (2) To draft the minutes of the meeting and place the same before the Chairman for his approval.
- (3) To attend, to correspondence with the; shareholders regarding allotment of shares, calls on shares, forfeiture of shares, transfer, and transmission of shares, distribution of dividends, notices of general meetings, etc.
- (4) To issue notices and circulars to the members of the company and other stakeholders as directed and guided by the Board.
- (5) To maintain various statutory books of the company such as Register of Members, Register of Directors, Minutes Books, Share Transfer Book. etc. He is personally responsible for maintaining such books.
- (6) To file various returns, statements, balance sheets, and other documents such as reports, resolutions and lease deeds, etc. with the Registrar of Companies within the stipulated time-limit.

EXERCISE 6 [PAGE 101]

Exercise 6 | Q 1 | Page 101

QUESTION

Justify the following statement:

Directors are Managing Partners.

SOLUTION

- (a) Directors represent owners of the company Viz. shareholders. As the Directors are elected representatives of the shareholders, they are entrusted with vast managerial powers. Being primarily shareholders, they are like partners with the other shareholders. In that relation, the Directors are regarded as the most active and managing partners and other shareholders as sleeping or dormant partners.
- (b) As managing partners, the Directors perform almost all the proprietary functions like the issue of shares, allotment of shares, making calls, forfeiting shares, etc. However, their acts are not binding on the shareholders or on each other unless the Articles provide so.

Exercise 6 | Q 2 | Page 101



QUESTION

Justify the following statement:

A Director is an agent of the Company.

SOLUTION

(a) A company, being an artificial person cannot act on its own. It acts through the Directors. They, therefore, resemble as agents of the company in the eyes of law. As agents, Directors can enter into contracts, sign agreements or contracts, carry on the business, and perform all the other duties on behalf of the company.

(b) As agents, they must act within the scope of their authority and in the name of the principal (i.e. the company). They would be personally liable if they enter into a contract in their own name or use the company's name incorrectly or exceed the powers given to them by the Memorandum of Association or the Articles of Association.

Exercise 6 | Q 3 | Page 101

QUESTION

Justify the following statement:

The company has a distinct feature of separate ownership and management.

SOLUTION

(a) In a joint-stock company, though shareholders are the owners, the management of the affairs of the company is entrusted to the Board of Directors. The shareholders cannot participate in the management because they are too large in number and are scattered over a wide area.

(b) Shareholders lack the necessary business skill and experience. They are mainly interested in the returns on the shares held by them. The sense of proprietorship of the shareholders is lost due to the changing membership from one shareholder transferor to another (transferee). Thus, in a joint-stock company, the ownership remains with the shareholders and the management with the Board of Directors.

Exercise 6 | Q 4 | Page 101

QUESTION

Justify the following statement:

DIN helps investors of the company.

SOLUTION

(a) DIN means Director Identification Number. [It is a unique 8 digit identification number allotted to a person who is appointed as a Director. It is compulsory for every director to



mention DIN on every document of the company he signs and authorizes. It is also required for the e-filing of the company's documents. With the help of DIN, investors get information about the composition of the top management of the company on the basis of which they take more accurate decisions about their investments.

(b) DIN is also helpful to handle and solve the problems that arise due to the disappearance of the company after the collection of money from the public. DIN also helps to detect and handle the offences committed by a director.

Exercise 6 | Q 5 | Page 101

QUESTION

Justify the following statement:

Directors have to work as a team.

SOLUTION

(a) Directors are the elected representatives of the shareholders who are appointed for directing governing and controlling the management of the company. They are the men of commercial skill and business tact. They are authorized by the shareholders to utilize the capital, acquire assets, appoints the personnel to conduct the affairs of the company for the benefit of the shareholders of the company.

(b) To carry out the functions, assigned to them by the shareholders, the directors exercise their powers collectively as a team. They cannot exercise their powers in their individual capacity. They work together as a team. The team of directors, i.e. the Board of Directors is the highest body with extensive powers. It is a policy framing and decision making organ of the company.

Exercise 6 | Q 6 | Page 101

QUESTION

Justify the following statement:

Directors play a triple role.

SOLUTION

(a) Directors work in triple capacities viz;

- i) as an agent.
- ii) as a managing partner
- iii) as a trustee.

As agents, the directors can enter into contracts, sign agreements or contracts, carry on the business, and perform all the other duties. As agents, they must act within the scope of their authority and in the name of the principal i.e. the company.



(2) As a managing partner, directors are entrusted with managerial powers. As a managing partner, they perform almost all the proprietary functions like the issue of shares, allotment of shares, making calls, forfeiting shares, etc. The directors are considered as trustees of the company. They stand in a fiduciary relationship with their company. As a trustee, the directors look after the property, money, and other assets of the company.

Exercise 6 | Q 7 | Page 101

QUESTION

Justify the following statement:

Company Secretary plays a triple role.

SOLUTION

(a) A company secretary works in triple capacities viz.

(i) as a Statutory Officer of the company,

(ii) as a co-coordinator and

(iii) as an administrative officer of the company. As a statutory (principal) officer of a company, a secretary has to sign documents for authentication, to sign and deliver annual returns to the Registrar of companies. He has to maintain different statutory registers like minutes books, Register of members, etc.

(b) As a co-coordinator, a company secretary is required to work as a network or connecting link between the Board and different executives at different levels. As an external co-coordinator, he is required to create a good relationship between company one-to-one hand and shareholders, Government, and the public at large on the other hand. As an administrative officer, a company secretary needs to ensure the implementation of the policies of the company. He has to guide, supervise, and control different departments of the company.

Exercise 6 | Q 8 | Page 101

QUESTION

Justify the following statement:

A Director cannot be called an employee of the company.

SOLUTION

(a) The directors are the elected representatives of the shareholders entrusted with well-defined powers and rights. The directors are not the employees of the company because they are only required to attend the Board meeting and set out the general policy of the company.



(b) The full-time officers like a manager, company secretary, etc. are employees appointed to carry out day-to-day activities of the company management. A director can be entitled to a share in the profit of a company including a handsome salary. Thus, a director of a company is a managing partner, trustee, and agent but cannot be regarded as employees of the company.

Exercise 6 | Q 9 | Page 101

QUESTION

Justify the following statement:

Managing Director has substantial powers of management.

SOLUTION

(a) Managing Director is a Director Who has been entrusted with substantial powers of management under an agreement or by a resolution passed by the company at its general meeting or by the Board of Directors at its Board Meeting. Substantial powers are powers of executive nature like deciding the purchase policy, sales policy, credit policy, investment policy, selection and recruitment procedure, etc.

(b) Managing Director works under the superintendence, control, and direction of the Board of Directors. He is responsible for the implementation of the policies framed by the Board. He acts as a link between the Board and the staff of the company. He is responsible for the day-to-day administration of the affairs of the company. He works in two capacities, via, that of a Director and that of a Manager of the company.

Exercise 6 | Q 10 | Page 101

QUESTION

Justify the following statement:

Indian companies prefer to appoint a M. D. than Manager.

SOLUTION

(a) A director Who is appointed from amongst the directors as Chief Executive Officer and entrusted with the substantial powers of management is called the managing director. Manager means any individual appointed to manage whole or substantially whole affairs of the company. He works under the supervision, direction, and control of the Board of Directors. He need not be a director of the company. The managing director must be a director first and then a managing director. A company can have more than one managing director but have only one manager.

(b) The managing director is more related and he remains constantly in contact with the Board of directors. As like Managing Director, the manager does not have close contact with the Board of directors. He works as an employee of the company and the Board. The Act allows a company to have either a managing director or manager. Indian



Companies prefer to appoint a managing director than a manager because the managing director works in dual capacities viz. as director and as managing director. He is able to influence the Board better than that manager does.

Exercise 6 | Q 11 | Page 101

QUESTION

Justify the following statement:

Pro-tem Secretary is helpful to the company.

SOLUTION

(a) The first Secretary of the company is appointed by the promoters during the promotion stage. Since the company has not yet come into existence, such a Secretary is called a 'pro tem' or provisional Secretary i.e. Secretary for the time being.

(b) A pro-tem secretary plays a very important role prior to the incorporation in his capacity as a pro-tem secretary. He helps the promoters in fulfilling different formalities during the formation of the company. He also helps the promoters in preparation and registration of important documents such as Memorandum of Association and Articles of Association and Prospectus.

Exercise 6 | Q 12 | Page 101

QUESTION

Justify the following statement:

Secretarial Standards should be in conformity with the Act.

SOLUTION

(a) Secretarial Standards (SS) means Secretarial standards as issued by the Institute of Company Secretaries of India constituted under Section 3 of the Company Secretaries Act 1980 and approved by the Central Government through the Ministry of Corporate Affairs. The 88-1 and 88-2 are approved by the Central Government and mandatory to be observed by all companies in India. Secretarial Standards are formulated and developed to bring uniformity and to standardize diverse secretarial practices prevailing in the corporate world.

(b) The secretarial standard is reviewed by Secretarial Standard Board (SSB) once in a year or whenever there is a substantial change in the law whichever is earlier. Institute of Company Secretaries of India (ICSI) has prepared and issued as many as 10 Secretarial Standards.

EXERCISE 7 [PAGE 101]

Exercise 7 | Q 1 | Page 101



QUESTION

Answer the following question:

Explain the role of the director?

SOLUTION

The role of directors:

i) As an Agent:

(1) A company, being an artificial person cannot act on its own. It acts through the Directors. They, therefore, resemble as agents of the company in the eyes of law. As agents, Directors can enter into contracts, sign agreements or contracts, carry on the business, and perform all the other duties on behalf of the company.

(2) As agents, they must act within the scope of their authority and in the name of the principal (i.e. the company). They would be personally liable if they enter into a contract in their own name or use the company's name incorrectly or exceed the powers given to them by the Memorandum of Association or the Articles of Association.

ii) As managing partners:

(1) Directors represent owners of the company viz. shareholders. As the Directors are elected representatives of the shareholders, they are entrusted with vast managerial powers. Being primarily shareholders, they are like partners with the other shareholders. In that relation, the Directors are regarded as the most active and managing partners and other shareholders as sleeping or dormant partners.

(2) As managing partners, the Directors perform almost all the proprietary functions like the issue of shares, allotment of shares, making calls, forfeiting shares, etc. However, their acts are not binding on the shareholders or on each other unless the: I Articles provide so.

iii) As trustees:

The Directors are considered as trustees of the company. They stand in a fiduciary relationship with their company. As trustees, the Directors look after the property, money, and other assets of the company. They must account for all the company's money and property over which they exercise control. They have to make good the loss caused by improper application of money or property of the company.

(iv) As an employee:

The Directors are not the employees of the company because they are only required to attend the Board Meeting and set out the general policy of the company. The full-time officers like Managing Directors, Manager, Secretary, etc. are employees appointed to carry out the day-to-day activities of the company management. However, under the special contract of service, a Director can become a whole-time Director (i.e. employee)



of the company. A Director Can be entitled to a share in the profit of a company including a handsome salary.

Exercise 7 | Q 2 | Page 101

QUESTION

Answer the following question:

Explain the duties of the Director.

SOLUTION

The duties of Director:

(A) Statutory duty: The duties which are imposed on the directors by the Companies Act are called the statutory duties. The statutory duties are:

(1) To file returns of allotment with the Registrar within a period of 30 days of allotment of shares.

(2) To act in accordance with the provisions made in the Articles of Association of the company.

(3) To disclose interest if the director is directly or indirectly concerned or interested in a contract of the company. He should disclose the nature of interest to the Board In a Board meeting.

(4) To attend the Board Meetings regularly unless it is impossible to do so for reasons beyond their control.

(5) To authenticate and approve financial statements.

(6) To prepare and place before the Annual General Meeting. The Balance Sheet and Profit and Loss Account including the report of the Board of Directors. (7) To appoint the first auditor or auditors of a company within one month of the date of incorporation of the company.

(B) General duties: The general duties include the duties which the Directors are obliged to perform in the capacity of trustees, agents. Managing partners and the duties required to be performed under the general law of the country.

(1) To act in good faith and also for the benefit of the company and not to make any secret profit out of the business of the company.

(2) To act with such care, skill, and diligence as can be expected from men of their knowledge, experience, and status.

(3) To perform their duties personally and not to delegate them to others, unless specifically permitted by the Articles.



(4) To manage the affairs of the company efficiently so as to avoid the charges of negligence or breach of trust by the members.

(5) To take proper care of the assets and property of the company.

Exercise 7 | Q 3 | Page 101

QUESTION

Answer the following question:

Explain the Managing Directors.

SOLUTION

(1) Meaning: A Director who is appointed from amongst the Directors as a Chief Executive Officer and entrusted with the substantial powers of management in addition to the routine administrative powers is called a Managing Director.

(2) Definition: According to Section 2(26) of the Companies Act, 1956, "Managing Director is a Director who has been entrusted with substantial powers of management under an Agreement or by a resolution passed by the company at its general meeting or by the Board of Directors".

(3) Appointment: In terms of Section 2 (26), a Managing Director can be appointed in any of the four ways, namely: (a) By virtue of an agreement with the company, (b) By virtue of a resolution passed by the company in general meeting, (c) By virtue of a resolution passed by the Board of Directors, (d) By virtue of Memorandum/Articles of Association. The appointment is subject to approval by resolution at the next general meeting. According to Section 269(1) of the Companies Act, it is compulsory for a public company (or a private company which is a subsidiary of a public company) having a paid-up share capital of Rs 5 crores to appoint a Managing Director or Whole-time Director.

(4) Term of appointment: The maximum for the appointment of a managing director 1. "Years at a time and can be reappointed within the last 2 years of the present term. A person can act as a managing director for the maximum 2 companies of which one must be a public company

(5) Qualification: A person appointed as Managing Director must be a director of the company and he should not be less than 21 years of age and more than 70 years of age. He should not be adjudicated as insolvent by the court of law. He should not be convicted by the court of law for an offence with a sentence of more than 6 months period.

(6) Remuneration: The remuneration of the Managing Director should not exceed 5% of net profits without the sanction of the Central Government. The remuneration may be paid either by way of the monthly payment or as a specific percentage of the net profits of the company.



(7) Powers: Managing Director is given substantial powers. Substantial powers are powers of executive nature like deciding the purchase policy, sales policy, credit policy, investment policy, selection and recruitment procedure, etc.

(8) Nature of duty: He works under the super intendant, control, and direction of the Board of Directors. He is responsible for the Implementation of the policies framed by the Board. He acts as a link between the Board and the staff of the company. He is responsible for the day-to-day administration of the affairs of the company. He works in two capacities, viz. that Of a Director and that of a Manager of the company' A Managing Director is first a Director and then an employee.

Exercise 7 | Q 4 | Page 101

QUESTION

Answer the following question:

Explain the Company Secretary.

SOLUTION

(1) Meaning: Any individual possessing the prescribed qualifications and appointed to perform the duties of a Secretary under the Companies Act and any other ministerial or administrative duties is called a Company Secretary. This definition states that:

- (i) Secretary should be an individual and not 3 mm or body corporate.
- (ii) He should be a member of the Institute of Company Secretaries of India (ICSI).

(2) Appointment: The first secretary is appointed by the promoters of the company. He is called pro-tem secretary and subsequent secretaries are appointed by the Board of directors by passing a board resolution to that effect. The listed companies and all other companies with a paid-up share capital of Rs 5 crore or more must appoint a whole-time company secretary. The Board decides the terms and conditions of his employment. The appointment of secretary must be recorded in the Register of Directors and key managerial personnel and their shareholdings.

(3) Rights of Company Secretary:

- (1) A Company Secretary has a right to supervise and control the working of the department that comes under his jurisdiction.
- (2) He has the right to be indemnified by the company for any loss suffered by him while discharging his duties.
- (3) He has a right to sign a document or proceedings requiring authentication of the company.
- (4) He has a right to get remuneration as an employee of the company.



(4) Duties of Company Secretary:

(a) Statutory Duties:

- (1) To organize and attend all the meetings of the company including Board meetings and furnish relevant statistical information, records, documents, etc. required for the meeting. To assist the Chairman in conducting the proceedings of the meeting smoothly.
- (2) To draft the minutes of the meeting and place the same before the Chairman for his approval.
- (3) To attend, to correspondence with the; shareholders regarding allotment of shares, calls on shares, forfeiture of shares, transfer, and transmission of shares, distribution of dividends, notices of general meetings, etc.
- (4) To issue notices and circulars to the members of the company and other stakeholders as directed and guided by the Board.
- (5) To maintain various statutory books of the company such as the register of Members, Register of Directors, Minutes Books, and Share Transfer Book. Etc. He is personally responsible for maintaining such books.
- (6) To file various returns, statements, balance sheets, and other documents such as reports, resolutions and lease deeds, etc. with the Registrar of Companies within the stipulated time-limit.

(b) General Duties:

- (1) To advise and guide the Board and Director Of the company with regard to their duties, responsibilities, and powers.
- (2) To represent the company before different authorities and regulators with the discharge of different duties under the act.
- (3) To help the Board in the conduct of the affairs of the company.
- (4) To provide assistance and advise the Board in ensuring good corporate governance.
- (5) To carry out and perform all the duties that are assigned to the secretary by the Board from time to time.

(5) Remuneration: The Companies Act does not make any provisions as to the remuneration payable to the company secretary. The remuneration of the company secretary is fixed by the company in the contract. The company enters with him.

Exercise 7 | Q 5 | Page 101

QUESTION



Answer the following question:

Explain the role of the Company Secretary.

SOLUTION

A company secretary plays an important and crucial role in the administration of the company.

Role of Company Secretary:

(A) Secretary as a Statutory Officer:

- (1) To sign documents and proceedings for authentication.
- (2) To sign and authenticate annual returns and other documents and form of company and submit them to the Registrar of Companies (ROC).
- (3) To maintain and update various statutory registers such as (a) Minutes of General and Board meetings of the company, (b) Register of Members and Register of Debenture holders, (c) Register of Directors and Key Managerial Personnel (KMP) and their shareholdings.
- (4) To ensure necessary compliance of provisions of Companies Act and other Acts such as the Income Tax Act, 1961, SEBI Act 1992, Securities Contracts (Regulation) Act, 1956, etc.

(B) Secretary as a Co-coordinator Officer:

The Board of Directors as a supreme managerial authority decides and frames broad policies for the company. Effective Implementation of such policies is the duty of the company secretary. To achieve the target and implement the policy, a company secretary is required to perform the role of co-coordinator between the Board and executives at different levels.

- (a) As an internal co-coordinator, a secretary is required to work as a network between the Board, the Managing Director, the chairperson on the one hand and the executives at different levels, trade unions and auditors on the other hand.
- (b) As an external coordinator, a secretary is required to create a good relationship between company and shareholders, Government and public at large.

(C) Secretary as Administrative Officer:

- (1) To ensure the implementation of the policies of the company.
- (2) To supervise, coordinate, and control the functioning of various departments of the company.



(3) To have an overall view of different aspects of the company's administration and develop a strong and efficient institutional set-up.

(4) To ensure systematic and proper recruitment, training, remuneration, promotion, etc. of the staff members.

