

## 8. Correspondence with Depositors

**Q.1 A) Select the correct answer from the options given below and rewrite the statements.**

1. Depositors are ..... of a company.

- a) Members
- b) Creditors**
- c) Debtors

2. Depositors provide ..... Capital to the company.

- a) Short Term**
- b) Long Term
- c) Medium term

3. A Company cannot accept deposit for more than ..... months.

- a) 24
- b) 36**
- c) 45

4. A company cannot accept deposit for less than ..... months.

- a) 6**
- b) 3
- c) 5

5. Deposits are ..... loans of the company.

- a) fixed
- b) short term**
- c) long term

6. Public Deposits are accepted to meet the requirement of ..... Capital.

- a) fixed
- b) working**
- c) owned

7. .... has the power to invite deposits from Public.

- a) Shareholders
- b) Auditors
- c) Board of Directors**



8. Rate of interest on deposits is .....

- a) **Fixed**
- b) Fluctuating
- c) Moderate

9. The return or income for the investment of money on deposits is called .....

- a) Dividend
- b) **Interest**
- c) Discount

**B) Match the pairs.**

Group 'A'	Group 'B'
a) Depositors	1) Fixed
b) Rate of interest on Deposits	2) Evidence of Ownership
c) Deposit Receipt	3) Debtors
	4) Creditors
	5) Evidence of deposit
	6) Fluctuating

**Ans:**

Group 'A'	Group 'B'
a) Depositors	4) Creditors
b) Rate of interest on Deposits	1) Fixed
c) Deposit Receipt	5) Evidence of deposit
	5) Evidence of deposit
	6) Fluctuating

**C) Write a word or a term or a phrase which can substitute each of the following statements.**

1. Return on investment on deposit.

**Ans:** Interest



2. Instrument for payment of interest on deposit.

Ans: Interest Warrent

3. An acknowledgement of the fixed deposit accepted by a company.

Ans: Fixed Deposit Reciept

4.Return of deposits on maturity date.

Ans: Repayment of Deposit

5.Maximum period of deposits.

Ans: 36 months

D) State whether the following statements are true or false.

1. Fixed deposit is a short term source of finance for the company.

Ans:True

2. Fixed Deposit holder is creditor of the company.

Ans: True

3. Deposits are invited by the company without issuing statutory advertisement.

Ans: False

4. Fixed Deposit holders are entitled to receive dividend.

Ans: False

5. A Private Company cannot accept the deposits from the general public.

Ans: True

6. Depositors are given voting rights.

Ans: False

E) Find the odd one.

(1) Dividend, Depositor, Deposit Receipt

Ans: Dividend

(2) Trust Deed, Depository, Deposit Receipt

Ans: Depository

F) Complete the sentences.

1. Depositors are the creditors of the company.

2. The secretary must be cautious and careful while writing letters to the depositors.
3. Deposit is a short term source of finance of the company.
4. A company can accept deposits for the minimum period of 6 months.
5. Depositors are entitled to receive interest at fixed rate.

**G) Select the correct option from the bracket.**

Group 'A'	Group 'B'
a) Depositor	1)
b) Return on Deposits	2)
c)	3) Maximum Period of Deposits
d) Minimum Period of Deposits	4)

(Interest, Creditor of the company, 36 months, 6 months)

**Ans:**

Group 'A'	Group 'B'
a) Depositor	1) <b>Creditor of the company</b>
b) Return on Deposits	2) <b>Interest</b>
c) <b>36 months</b>	3) Maximum Period of Deposits
d) Minimum Period of Deposits	4) <b>6 months</b>

**[H] Answer in one sentence :**

**(1) Who is depositor?**

**Ans.** Depositors are the creditors of the company.

**(2) What is the return on deposit ?**

**Ans.** Interest is the return on deposit.

**(3) What is Interest Warrant ?**

**Ans.** Interest warrant is used for making payment of interest to the depositors (creditors).



**(4) What is renewal of deposit ?**

**Ans.** Renewal of deposit means acceptance of the same deposit by the company for further period.

**(5) Which document is enclosed along with the Renewal Letter ?**

**Ans.** A Renewal Deposit Receipt is enclosed along with the renewal letter.

**(6) When will the company return the deposit ?**

**Ans.** On the maturity of tenure, the company will return the deposit.

**(7) What is minimum and maximum period of deposit ?**

**Ans.** Minimum and maximum period of deposit is 6 months and 36 months respectively.

**(I) Correct the underlined word and rewrite the sentence.**

**(1) Depositors are owners of the company.**

**Ans.** Depositors are creditors of the company.

**(2) Deposits are the internal source of financing.**

**Ans.** Deposits are the external source of financing.

**(3) Deposit is a long term source of capital.**

**Ans.** Deposit is a short term source of capital.

**(4) Depositors are entitled to receive dividend.**

**Ans.** Depositors are entitled to receive interest.

**J. Arrange in proper order.**

**1.**

**a. Renewal of Deposit**

**b. Acceptance of Deposits**



**c. Deposit Receipt**

**Ans:** (1) (b) Acceptance of Deposits

(c) Deposit Receipt.

(a) Renewal of Deposit

**2.**

**a. Payment of Interest**

**b. Deposit Receipt**

**c. Acceptance of Deposits**

**Ans:** (c) Acceptance of Deposits,

(b) Deposit Receipt

(a) Payment of Interest.

**Q.2. Explain the following terms/concepts:**

**(1) Depositors**

**Ans.** (a) Depositors are the creditors of the company. They are the short term financiers. Depositors get interest as a return on investment of money in company deposits.

(b) The deposit holders do not enjoy any management rights, as they are not entitled to vote in the meeting and cannot participate in the management of the company.

**(2) Deposit**

**Ans.** (a) Deposit is a short term source of finance of the company and it is used in order to satisfy short term working capital needs of the company.

(b) Company cannot accept deposits for a period less than 6 months or more than 36 months.



### **(3) Interest on Deposit**

**Ans.** (a) Interest on deposit is paid by the company to the deposit account holder. The rate of interest is fixed.

(b) A company who has made default in repayment of any interest on deposit on such amount can't invite deposits.

### **(4) Deposit Receipt**

**Ans.** (a) A deposit receipt is a receipt issued by a banker of the company to a depositor for cash and cheque deposited with the bank.

(b) The information recorded on the receipt includes the date and time, the amount deposited, and the account into which the funds were deposited.

### **(5) Renewal of Deposit**

**Ans.** (a) A process whereby the deposit holder continues with the deposit for an additional time period after the completion of the initial time period of investment (deposit) is called as Renewal of Deposit'.

(b) The additional period can be similar or different from the original time period. Instead of withdrawing the deposit amount this is continued.

### **(6) Repayment of Deposit**

**Ans.** (a) On maturity of tenure of deposits, it is binding on the company to repay the deposits.

(b) Default in repayment of deposit results in levy of penalty. A company must intimate the depositor's details of maturity, at least 2 months before the deposit.

### **Q.3. Answer in brief:**

**(1) What precautions are to be borne in mind by the Secretary, while corresponding with depositors?**

**Ans.** Following precautions to be taken by the secretary while corresponding with the depositors.

**(a) Conciseness:**

- The letter acts as a representative of the organization. Thus, secretary should always provide all the information in concise or compact manner.

- Correspondence with the depositors must be brief and to the point. A letter should not be lengthy. Secretary should provide maximum information in minimum words.

**(b) Accuracy:**

- In correspondence with depositors "accuracy" or perfectness is very much important. The Secretary must provide accurate information.

- This is because, correct numerical, factual presentation about the business activities to the depositors help it to take accurate and wise decisions.

**(c) Prompt Reply:**

- In any correspondence prompt reply is very important. The company secretary must give prompt replies to any queries of the depositors.

- Secretary should provide quick reply to complaints letters without any delay to the depositors.

**(d) Secretary :**

- The secrecy of any business is essential. The Secretary must keep secrecy regarding the affairs of the company while corresponding with the depositors and shall not disclose any confidential matter of the company.

- Secrecy is important so that no other party can take undue advantage of it.

**(e) Image of the company:**

- While drafting the letters, secretary has to try his best to remove their doubts, queries and difficulties in a polite and courteous manner.

- It is helpful for getting favourable response and built up goodwill of the organization.

**(f) Legal provisions:**

- The Secretary must keep in mind legality of content in correspondence with the depositors.

- While corresponding with the depositors, secretary should compulsorily follow relevant provisions of the Companies Act, 2013 with latest amendments and other relevant laws.





**(g) Courtesy:**

- The letter to the depositors should be polite. A courteous letter shows empathy, respect and mutual understanding.
- It is helpful for getting favourable response and build up goodwill of the organization.
- Secretary should not use any harsh words while corresponding with depositors. Also, rude language should be avoided.

**(h) You Attitude:**

- An ideal letter should be written from the view point of reader. This is also called as use of 'You Attitude'.
- Therefore, by considering the feeling of reader a letter should be written. Such positive and creative attitude brings favourable response from the reader.

**2. What are the circumstances under which the Secretary makes correspondence with depositors.**

**Ans:** Following are the circumstances when the secretary enters into correspondence with the Depositors

- (a) Thanking depositors for depositing amount and showing faith in the company.
- (b) Intimation about payment of interest through:
  - Interest Warrant
  - Electronic payment of Interest
- (c) Letter informing about renewal of deposits.
- (d) Informing depositors about repayment of deposit on maturity.

**Q.4 Justify the following statements.**

**1. The Company Secretary should take certain precautions while corresponding with depositors.**

**Ans. Justification:** Following are should while the precautions Company Secretary should take while corresponding with depositors.



**(a) Prompt Reply:** In any correspondence prompt reply is very important. The company Secretary must give prompt replies to any queries of the depositors.

**(b) Courtesy:** The letter to the depositors should be polite. A courteous letter shows empathy, respect and mutual understanding.

**(c) Secrecy:** The secrecy of any business is essential. The Secretary must keep secrecy regarding the affairs of the company while corresponding with the depositors and shall not disclose any confidential matter of the Company.

**(d) Legal provisions:** The Secretary must keep in mind legality of content in correspondence with the depositors.

**(e) Image of the company:** While drafting the letters, secretary has to try his best to remove their doubts, queries and difficulties in a polite and courteous manner.

**(2) There are certain circumstances when a secretary has to correspond with Depositors.**

**Ans. Justification:** The circumstances when the secretary enters into correspondence with the Depositors are:

(a) Thanking depositors for depositing amount and showing faith in the company.

(b) Intimation about payment of interest through:

- Interest Warrant
- Electronic payment of Interest

(c) Letter informing about renewal of deposits.

(d) Informing deposits about repayment of deposit on maturity.