

Business Studies

Formation Of A Company

Q1. Which of the following is not an example of mission statement?

1 Mark

- A NIKE - To bring inspiration and innovation.
- B FACEBOOK - Power to share and make the world open and connected.
- C GOOGLE - To organize the world's information.
- D ICSI - To be a global leader in promoting good corporate governance.

Ans: D ICSI - To be a global leader in promoting good corporate governance.

4. ICSI - To be a global leader in promoting good corporate governance.

Explanation:

A Mission Statement is concerned with the company's present, its objectives and its approach to reach those objectives.

Vision statement refers to where an organisation looks itself into future asking questions - where it wants to go? and how it will be achieved? etc. ICSI's 'To be a global leader in promoting good corporate governance' is a vision statement because it states where the organisation wants to go.

Q2. 'Certificate of Incorporation' is issued _____.

1 Mark

- A Before promotion of a company.
- B After promotion of a company.
- C Before delivery of documents.
- D After delivery of documents.

Ans: D After delivery of documents.

4. After delivery of documents.

Explanation:

Certificate of incorporation is a legal document issued by Registrar of Companies under Companies Act.

This is a certificate which authenticates the existence of a company.

Company's can start the business only once the certificate of incorporation is issued by the ROC.

This certificate is issued only once all the necessary documents are submitted to the registrar.

Q3. The domicile clause of the Memorandum of Association states about the _____ of a company.

1 Mark

- A Capital
- B Liability
- C Registered address
- D None of these

Ans: C Registered address

3. Registered address

Explanation:

The second clause of the MOA, the 'domicile' clause specifies the location of the company's registered office.

The domicile clause will not exactly contain the address of the registered office, but the state or union territory in which the registered office of the company is located.

Q4. A company is said to have been registered when:

1 Mark

- A When it files the MOA with the ROC.
- B When the certificate of incorporation has been issued.
- C After getting certificate of commencement of business
- D After starting business

Ans: B When the certificate of incorporation has been issued.

2. When the certificate of incorporation has been issued.

Q5. Stages in the formation of a public company are in the following order:

1 Mark

- A Promotion, Commencement of Business, Capital Subscription, Incorporation.
- B Incorporation, Capital Subscription, Promotion.
- C Promotion, Incorporation, Capital Subscription.
- D Capital Subscription, Promotion, Incorporation.

Ans: A Promotion, Commencement of Business, Capital Subscription, Incorporation.

1. Promotion, Commencement of Business, Capital Subscription, Incorporation.

Explanation:

In case of a public company, its formation follows the stages given below.

1. Promotion.
2. Incorporation.
3. Capital Subscription.
4. Commencement of business.

Q6. The certificate of capital will be issued by

1 Mark

- A** Registrar of Companies Act **B** Controller of companies Act **C** Registrar of capital issues
D Controller of capital issues

Ans: D Controller of capital issues

4. Controller of capital issues

Q7. Which of the following clause of Memorandum of Association cannot be altered:

1 Mark

- A** Name **B** Object **C** Situation **D** Liability

Ans: D Liability

4. Liability

Q8. Write a word or a term or a phrase which can substitute the following statement.

1 Mark

A certificate issued after registration of company.

- A** Certificate of Incorporation **B** Share Certificate **C** Certificate of trade
D None of these

Ans: A Certificate of Incorporation

1. Certificate of Incorporation

Explanation:

Incorporation or registration is the second stage in the formation of a company. It is the registration that brings a company into existence.

A company is properly constituted only when it is duly registered under the Act and a Certificate of Incorporation has been obtained from the Registrar of Companies.

After the Registrar has been fully satisfied with the documents, it registers the company and issues a certificate of incorporation.

Q9. Minimum number of members to form a private company is:

1 Mark

- A** 2 **B** 3 **C** 5 **D** 7

Ans: A 2

1. 2

Explanation:

As per the law, a minimum of two members are required to form a private company.

Q10. Advisory committee shall consist of not more than _____ members.

1 Mark

- A** Five **B** Seven **C** Nine **D** Ten

Ans: A Five

1. Five

Explanation:

An advisory committee is a collection of individuals who bring unique knowledge and skills which augment the knowledge and skills of the board of directors.

The advisory committee serves to make recommendations and provide key information and material to the board of directors. The advisory committee should not consist more than five members.

Q11. The liability of the members of the company can be limited by.

1 Mark

- A** Share **B** Guarantee **C** Both a & b **D** Neither a nor b

Ans: C Both a & b

3. Both a & b

Q12. For the Company's debts, its Creditors _____ sue the Company's Members.

1 Mark

- A** Can **B** Cannot **C** None of these **D** Only (A)

Ans: B Cannot

2. Cannot

Explanation:

The company has a separate legal entity separate from its members, shareholders, and directors. Hence, the creditors cannot sue the Company's Members for the debts of the company.

Their liability is limited to the number of shares held by them in the company.

Q13. The instrument appointing a proxy must be deposited with the company not less than _____ days before the meeting.

1 Mark

A 7

B 12

C 21

D 28

Ans: B 12

C 21

3. 21

Explanation:

Any member of a company entitled to attend and vote at a meeting of the company shall be entitled to appoint another person as a proxy to attend and vote at the meeting on his behalf:

Provided that a proxy shall not have the right to speak at such meeting and shall not be entitled to vote except on a poll.

The instrument appointing a proxy must be deposited with the company not less than 21 days before the meeting.

Q14. A private company means a company which has a minimum paid up capital of Rs_____.

1 Mark

A 100,000

B 500,000

C 5,000,000

D None of the above

Ans: B 500,000

2. 500,000

Q15. The word company is derived from word.

1 Mark

A French

B Latin

C German

D Indian

Ans: B Latin

2. Latin

Explanation:

The word company is derived from the word com. It means together.

Moreover, panis means bread. In the past, the business meetings, for most of the time, were conducted on festive occasions.

It was something like meeting together as a treat of bread to earn bread.

Q16. Preliminary Contracts are:

1 Mark

A Binding on the Company.

B Binding on the Company, if ratified after incorporation.

C Binding on the Company, after incorporation.

D Not binding on the Company.

Ans: D Not binding on the Company.

4. Not binding on the Company.

Explanaton:

During the promotion of the company, promoters enter into certain contracts with third parties on behalf of the company.

These are called preliminary contracts or pre-incorporation contracts. These are not legally binding on the company.

A company after coming into existence may, if it so chooses, decide to enter into fresh contracts with the same terms and conditions to honour the contracts made by the promoters.

Q17. The certificate of incorporation is conclusive evidence that:

1 Mark

A All the requirements for registration have been duly complied with. **B** The company is duly registered.

C The company came into existence from the date mentioned in the certificate. **D** All of the above

Ans: D All of the above

4. All of the above

Q18. Every company having a paid-up share capital of Rs. _____ or more shall have full time secretary.

1 Mark

A 2 lakhs

B 20 lakhs

C 2 crores

D 20 crores

Ans: C 2 crores

3. 2 crores

Explanation:

Every company having a paid-up share capital of Rs two crore or more shall have full time secretary as per the Company Act 2013

Q19. _____ states the relation of a company with outsiders.

1 Mark

- A** Articles of association **B** Memorandum of association **C** Object
D Table A

Ans: B Memorandum of association

2. Memorandum of association

Explanation:

A Memorandum of Association (MOA) is a legal document prepared in the formation and registration process of a limited liability company to define its relationship with shareholders.

The MOA is accessible to the public and describes the company's name, physical address of registered office, names of shareholders and the distribution of shares.

Q20. On registration, the ROC will issue a certificate of incorporation in Form:

1 Mark

- A** INC - 10 **B** INC - 11 **C** INC - 12 **D** INC - 13

Ans: B INC - 11

2. INC - 11

Q21. A word corporation is derived from latin term "corpus" which means: -

1 Mark

- A** Body **B** Legal Person **C** Artificial Person **D** None of the above

Ans: A Body

1. Body

Explanation:

A company is also called a 'corporate'. The Latin word 'corpus' means 'body' in English.

A corporation is thus a 'legal person' created other than the natural birth.

Q22. What is known as charter of a company?

1 Mark

- A** MOA **B** AOA **C** Prospectus
D Certificate of incorporation

Ans: A MOA

1. MOA

Q23. If the company can make arrangements for raising the capital privately, so that public appeal is unnecessary, the company is required to prepare a _____.

1 Mark

- A** Prospectus **B** Statement in lieu of Prospectus **C** Certificate of Prospectus
D None of the above

Ans: B Statement in lieu of Prospectus

2. Statement in lieu of Prospectus

Q24. A _____ is one who performs the preliminary duties necessary to bring a company into being and float it.

1 Mark

- A** Auditor **B** Promoter **C** Director **D** Financer

Ans: B Promoter

2. Promoter

Explanation:

A corporate promoter is a firm or person who does the preliminary work incidental to the formation of a company, including its promotion, incorporation, and flotation, and solicits people to invest money in the company, usually when it is being formed.

Q25. Which of the following is probably the most important reason for incorporating?

1 Mark

- A** Limited liability of shareholders **B** More money for investment **C** Increased flexibility
D Shared management.

Ans: A Limited liability of shareholders

1. Limited liability of shareholders

Q26. _____ are companies created by a special act of the legislature.

1 Mark

- A** Registered company **B** Public Ltd Company **C** Private Ltd company **D** Statutory company

Ans: D Statutory company

4. Statutory company

Q27. The application for registration of a company should be presented to the _____ of the state appointed under Companies Act 1956. **1 Mark**

A Controller **B** Registration officer **C** Governor **D** Registrar

Ans: D Registrar

4. Registrar

Q28. Which documents to be filed with the registrar of company for incorporation? **1 Mark**

A Memorandum of association. **B** Articles of association. **C** Declaration.
D All of the above.

Ans: D All of the above.

4. All of the above.

Q29. The Prospectus must be issued to the public within _____ days of its date. **1 Mark**

A 30 **B** 60 **C** 90 **D** 100

Ans: C 90

3. 90

Q30. Generally internal rules of the company are regulated in _____. **1 Mark**

A A.O.A. **B** M.O.A. **C** Partnership Deed **D** None of these

Ans: A A.O.A.

B M.O.A.

1. A.O.A.

Explanation:

The Articles of Association or AOA are the legal document that along with the memorandum of association serves as the constitution of the company.

It is comprised of rules and regulations that govern the company's internal affairs.

The articles of association are concerned with the internal management of the company and aims at carrying out the objectives as mentioned in the memorandum.

These define the company's purpose and lay out the guidelines of how the task is to be carried out within the organization.

The articles of association cover the information related to the board of directors, general meetings, voting rights, board proceedings, etc.

Q31. Those persons who take initiative in the formation of a joint stock company are called _____ **1 Mark**

A Promoters **B** Investors **C** Shareholders **D** All of above

Ans: A Promoters

1. Promoters

Explanation:

"A promoter is the one, who undertakes to form a company with reference to a given object and sets it going and takes the necessary steps to accomplish that purpose." —Justice C.J. Cokburn

Promoter conceives the idea for setting-up a business entity at a given place and takes care of various formalities required for establishing a company.

Promoter may be a individual, firm, association of persons or a company. Individuals who assist the promoter include professionals like Counsels, Solicitors, Accountants etc., however they are not regarded as promoters.

Q32. Minimum number of members to form a private company is: **1 Mark**

A 2 **B** 3 **C** 5 **D** 7

Ans: A 2

1. 2

Explanaton:

To form a private company the memorandum of association is needed to be signed by at least two members.

Q33. The minimum number of members that required while you are registering a public company is: **1 Mark**

- A** 2 **B** 7 **C** 50 **D** 100

Ans: B 7

2. 7

Q34. “Men may come and men may go but the company exist”- this explains which characteristics of the company as per companies Act 1956. **1 Mark**

- A** Separate legal entity **B** Perpetual Succession **C** Capacity to sue **D** None of the above

Ans: B Perpetual Succession

2. Perpetual Succession

Q35. The dividend payable to _____ share holders is payable on fixed figure or percent. **1 Mark**

- A** Equity **B** Non preference **C** Preference **D** All of the above

Ans: C Preference

3. Preference

Q36. The _____ are elected representatives of shareholders to manage affairs of the company. **1 Mark**

- A** Auditors **B** Secretary **C** Directors **D** None of these

Ans: C Directors

3. Directors

Explanation:

The Directors are elected representatives of shareholders to manage affairs of the company.

Q37. Application for approval of name of a company is to be made to: **1 Mark**

- A** SEBI **B** Registrar of Companies. **C** Government of India.
D Government of the State in which Company is to be registered.

Ans: B Registrar of Companies.

2. Registrar of Companies.

Explanation:

For approval of the name of a company, the promoters need to submit an application to the registrar of companies concerned.

Q38. Partnership is governed by Partnership Act, 1932. Whereas a Company is governed by _____. **1 Mark**

- A** The Companies Act, 1958 **B** The Companies Act, 2013 **C** The Companies Act, 2017
D The Companies Act, 1975

Ans: B The Companies Act, 2013

2. The Companies Act, 2013

Explanation:

The Companies Act 2013 is an Act of the Parliament of India on Indian company law which regulates incorporation of a company, responsibilities of a company, directors, dissolution of a company And in this act.

The new Companies Act 2013 has prescribed the maximum number of members in case of a partnership firm should not be more than 100 in case of partnerships.

As per the previous Companies Act 1956, the maximum limit in case of partnerships was 10 and 20 for banking business and other businesses respectively.

Q39. Legal position of a promoter of a company is: **1 Mark**

- A** That of an agent **B** That of a trustee **C** Fiduciary position **D** That of solicitor

Ans: C Fiduciary position

3. Fiduciary position

Q40. Select the option from the option choices given in below and re-write the completed sentences: **1 Mark**

The _____ is almost an unalterable document.

- A** Memorandum **B** Articles **C** Prospectus **D** None of the above

Ans: A Memorandum

1. Memorandum

Explanation:

Memorandum is known as the charter document of the company.'

It is almost an unalterable document in the interest of the shareholders, the public, and especially the creditors of the company.

However, another important document that is the Articles Of Association should be freely alterable by shareholders in the general meeting.

Q41. Select the correct option given below:

1 Mark

The first auditors of the company are appointed by the _____.

- A** Secretary **B** Promoters **C** Manager **D** None of these

Ans: B Promoters

2. Promoters

Explanation:

The first directors of the company are usually appointed by the promoters in the manner laid down by the company's articles.

The first directors can hold office only till the first annual general meeting of the company when they will be replaced by directors appointed by the company at this meeting.

Q42. Preliminary Contracts are signed:

1 Mark

- A** Before the incorporation. **B** After incorporation but before capital subscription.
C After incorporation but before commencement of business. **D** After commencement of business.

Ans: A Before the incorporation.

1. Before the incorporation.

Explanation:

Preliminary contracts are pre-incorporation contracts.

Q43. The document that contains the constitution of the company is _____.

1 Mark

- A** Article of Association. **B** Prospectus. **C** Memorandum of Association.
D None of these.

Ans: C Memorandum of Association.

3. Memorandum of Association.

Explanation:

Memorandum of Association is the most important document as it defines the objectives of the company.

No company can legally undertake activities that are not contained in its Memorandum of Association.

Q44. If a company is instructed to change its name, which resembles the name of an existing company then the company can change the name by _____.

1 Mark

- A** Passing a special resolution **B** Obtaining permission from the Central Government
C Passing an ordinary resolution **D** Both a and b

Ans: C Passing an ordinary resolution

3. Passing an ordinary resolution

Q45. Casual vacancy occurs only when _____.

1 Mark

- A** Director dies **B** Declared incompetent **C** Resigns **D** All of the above

Ans: D All of the above

4. All of the above

Q46. Company is defined under which section of the companies act?

1 Mark

- A** Section 3(1) **B** Section 4(2) **C** Section 2(4) **D** Section 1(3)

Ans: A Section 3(1)

1. Section 3(1)

Explanation:

The company is defined under which section 3(1).

Q47. Power to use official seal of the company outside India is to be authorized by:

1 Mark

- A** Article of Association **B** Memorandum of Association
C Both Memorandum and Article of Association **D** Power of attorney

Ans: A Article of Association

1. Article of Association

Q48. A proposed name of Company is considered undesirable if:

1 Mark

- A** It is identical with the name of an existing company.
- B** It resembles closely with the name of an existing company.
- C** It is an emblem of Government of India, United Nations etc.
- D** In case of any of the above.

Ans: D In case of any of the above.

4. In case of any of the above.

Explanaton:

The proposed name may be approved if it is not considered undesirable.

It may happen that another company exists with the same name or a very similar name or the preferred name is misleading, say, to suggest that the company is in a particular business when it is not true.

In such cases the proposed name is not accepted but some alternate name may be approved.

Q49. A prospectus is issued by:

1 Mark

- A** A private company.
- B** A public company seeking investment from public.
- C** A public enterprise.
- D** A public company.

Ans: D A public company.

4. A public company.

Explanation:

For raising the required funds from the public by means of issue of shares and debentures, a public company has to Issue a prospectus which is an invitation to the public to subscribe to the capital of the company and undergo various other formalities.

Q50. A Memorandum should be signed by at least _____ persons in case of public company.

1 Mark

- A** Two
- B** Four
- C** Six
- D** Seven

Ans: D Seven

4. Seven

Explanation:

In case of public company memorandum should be signed by at least 7 persons generally board of directors.

Q51. Memorandum of association contains which of the following?

1 Mark

- A** Place of registered office of the company.
- B** Objective of the company.
- C** Amount of registered share capital.
- D** All of the given options.

Ans: D All of the given options.

4. All of the given options.

Q52. An incorporated company may be a company:

1 Mark

- A** Limited by shares
- B** Limited by guarantee
- C** An unlimited company
- D** All of the above

Ans: D All of the above

4. All of the above

Q53. Minimum number of members to form a public company is:

1 Mark

- A** 5.
- B** 7.
- C** 12.
- D** 21.

Ans: B 7.

2. 7.

Explanaton:

To form a public company, at least seven members must sign the memorandum of association.

Q54. A proposed name of company is considered undesirable if _____.

1 Mark

- A** It is identical with the name of an existing company.
- B** It resembles closely with the same of an existing company.
- C** It is an emblem of government of India, United Nations etc.
- D** In case of any of the above.

Ans: D In case of any of the above.

4. In case of any of the above.

Explanation:

To commence with the operation of a company, the directors of that specific company must acquire a Director Identification Number and the proposed name has to be approved by the Registrar of Companies in Ministry of Corporate affairs.

As per the Companies Act, for a Company name to be approved for the incorporation, it must be both unique and desirable.

The company name shall not be identical or even closely identical to any of the existing company name, to be approved by the Registrar of Companies.

Other conditions for name approval are as follows:

Name should be in consonance with the principal object

Names indicative of business constitution not allowed

Vague or abbreviated name are not allowed

Generic names will not be allowed

Names that require Central Government approval needs an approval before they can be used.

Q55. An auditor is appointed for a period of _____. **1 Mark**

- A** One year **B** Ten year **C** Five year **D** Two year

Ans: A One year

1. One year

Explanation:

After the incorporation of a company in the first annual general meeting an auditor must be appointed by the board of directors. the auditor will typically hold term till the conclusion of 5 years.

The appointment of an auditor can also be made for a period of 1 year renewable at each annual general meeting.

Q56. Private company prohibits any invitation or acceptance of deposits from persons other than its _____ **1 Mark**

- A** Members **B** Directors **C** Partners **D** Banks

Ans: A Members

1. Members

Q57. A _____ is a person, who discovers the business opportunity. **1 Mark**

- A** Secretary **B** Promoter **C** Shareholder **D** Director

Ans: B Promoter

2. Promoter

Explanation:

A promoter is a person who discovers the business opportunity.

They are the people who conceives the idea of any business.

They do all the work related to the incorporation, promotion, flotation and solicit people to invest the money in the company.

Q58. The books of account of a company should be preserved for a period of not less than _____. **1 Mark**

- A** 2 years **B** 5 years **C** 8 years **D** 10 years

Ans: C 8 years

3. 8 years

Explanation:

A company is required to maintain its books of account and vouchers for a period of 8 years immediately preceding the current year.

Q59. Which company was formed by seven engineers with a capital of Rs. 10000 _____. **1 Mark**

- A** Asian Paints **B** Bharti Airtel **C** Infosys **D** None of the above

Ans: C Infosys

3. Infosys

Explanation:

Infosys was conceived in 1981 in Pune by Narayan Murthy, Nandan Nilekani, N S Raghavan, S Gopalakrishnan, S D Shibulal, K Dinesh and Ashok Arora, all former employees of Patni Computer Systems.

The company was started with meager initial capital of Rs 10,000 and was named Infosys Consultants.

Q60. Powers, rights, remuneration, qualification and duties of directors are discussed clearly in: **1 Mark**

- A** Memorandum of Association **B** Articles of Association **C** Prospectus

D None of the above

Ans: B Articles of Association

2. Articles of Association

Q61. Preliminary Contracts are signed:

1 Mark

- A** Before the incorporation. **B** After incorporation but before capital subscription.
C After incorporation but before commencement of business. **D** After commencement of business.

Ans: A Before the incorporation.

1. Before the incorporation.

Explanaton:

Contracts signed by promoters with third parties before the incorporation of company.

Q62. Which among the following is the vision of ICSI?

1 Mark

- A** "Promoting global excellence" **B** "To be a global leader in promoting good corporate governance"
C "Partners in Nation building" **D** "Building corporate responsibility"

Ans: B "To be a global leader in promoting good corporate governance"

2. "To be a global leader in promoting good corporate governance"

Explanation:

Every enterprise has to have a vision and mission for its progress. By vision we mean an enterprise wants to be. It is the future of an enterprise and mission is to reach that vision.

Among the statements, 'to be global leader for promoting good corporate governance' is the vision statement of ICSI.

Q63. Documents to be presented for the registration of a company with the registrar are _____.

1 Mark

- A** The memorandum of the company **B** Its articles **C** Both a and b
D Nothing specified in Companies Act

Ans: B Its articles

C Both a and b

3. Both a and b

Explanation:

The Memorandum of Association and Articles of Association are the most important documents to be submitted to the ROC for the purpose of incorporation of a company.

The Memorandum of Association is a document that sets out the constitution of the company.

It contains, amongst others, the objectives and the scope of activity of the company besides also defining the relationship of the company with the outside world.

The Articles of Association contain the rules and regulations of the company for the management of its internal affairs.

While the Memorandum specifies the objectives and purposes for which the Company has been formed, the Articles lay down the rules and regulations for achieving those objectives and purposes.

Q64. The Character of a Company is its _____.

1 Mark

- A** Articles of Association **B** Prospectus **C** Statement in lie of Prospectus
D Memorandum of Association

Ans: D Memorandum of Association

4. Memorandum of Association

Explanation:

An important step in the formation of a company is to prepare a document called a memorandum of association.

It is the charter of the company and is a very important document as it contains the basic conditions on which the company is incorporated.

The Memorandum contains the name, registered office, main and other objects of the company, liability of the members, and the authorized capital of the company.

The main purpose of the memorandum is to limit the scope of activities and powers of the company.

Thus, any activities outside the memorandum is ultra vires the company. Such an act is not enforceable and directors involve personal liability for it.

Q65. _____ means the total amount of called up share capital which is actually paid to the company by the members.

1 Mark

A Nominal capital **B** Reserve capital **C** Called up capital **D** Paid-up capital

Ans: D Paid-up capital

4. Paid-up capital

Q66. Every company is _____ entity.

1 Mark

A An independent **B** A dependent **C** A social **D** None of above

Ans: A An independent

1. An independent

Explanation:

Independent entity such as Customer in both examples and Account in the first example, is an entity where each occurrence (instance) can be found using only attributes that it owns, such as a Customer ID.

Q67. For example Par value is Rs10 and it is issued at Rs15 then Rs5 is the _____ amount.

1 Mark

A Profit **B** Market value **C** Dividend **D** Premium

Ans: D Premium

4. Premium

Q68. Memorandum of association of a firm contains _____.

1 Mark

A Rules regarding the internal management of the company.
B Rules regarding the constitution and activities of the company.
C Rules regarding the external management. **D** Rules regarding the constitution.

Ans: B Rules regarding the constitution and activities of the company.

2. Rules regarding the constitution and activities of the company.

Explanation:

Memorandum of Association is the principal document that is required in the formation of the company as it is considered as the Charter of the company.

It contains the powers, goals, and objectives of a joint-stock company which defines the scope of operations within which the members of the company will operate.

Memorandum of association provides the information to outsiders such as suppliers, creditors, investors, etc. so they can know about the objectives and scope of a company.

This document is essential for the formation of a company. Whereas, the Article of Association is a document that contains the rules and regulations regarding the management of a company's internal affairs.

Q69. The aims and objectives of a company are stated in the _____ clause of the Memorandum of Association.

1 Mark

A Name **B** Object **C** Domicile **D** None of these

Ans: B Object

2. Object

Explanation:

The object clause of the Company is the third clause of the memorandum of association of any Company stating the objects i.e. the business/purpose for which the Company is incorporated and any other matter considered necessary in furtherance thereof.

A Memorandum of Association (MOA) is a legal document prepared in the formation and registration process of a limited liability company to define its relationship with shareholders.

The MOA is accessible to the public and describes the company's name, physical address of registered office, names of shareholders, and the distribution of shares.

A Memorandum of Association is a document of prime importance for a company. It depicts the objectives, extent of authority, competency, liabilities, and legal rights of the company.

The memorandum acts as a legal code or constitution for a company and regulates the relationships between the company and its shareholders, investors, beneficiaries, and other members.

Q70. An act is said to be ultra vires Company when it is beyond the powers _____.

1 Mark

A Of the Company, **B** Of the Directors, **C** Of the Directors but not the Company,
D Conferred on the Company by the Articles.

Ans: D Conferred on the Company by the Articles.

4. Conferred on the Company by the Articles.

Explanation:

In corporate law, ultra vires describe acts attempted by a corporation that are beyond the scope of powers granted by the corporation's objects clause, articles of incorporation, or in a clause in its Bylaws, in the laws authorizing a corporation's formation, or similar founding documents.

Q71. _____ means the total amount of called up capital on the shares issued and subscribed by the shareholders on capital account. **1 Mark**

- A** Called-up capital **B** Subscribed capital **C** Nominal capital **D** Paid-up capital

Ans: A Called-up capital

1. Called-up capital

Q72. Below mentioned are factors that have allowed small companies to act like they are big ones. Pick the right one _____ . **1 Mark**

- A** Competition **B** Economic development **C** Both a & b
D Technology

Ans: D Technology

4. Technology

Explanation:

Technology has allowed small companies to act like they are big ones.
Large companies can use technology to make them responsive and flexible.

Q73. The companies are governed by the Companies Act _____. **1 Mark**

- A** 1956 **B** 1936 **C** 2013 **D** 1856

Ans: B 1936

C 2013

3. 2013

Explanation:

Companies Act 2013. An Act to consolidate and amend the law relating to companies.
The Companies Act 2013 is an Act of the Parliament of India on Indian Company Law which regulates incorporation of a company, responsibilities of a company, directors, dissolution of a company.

Q74. The road-map of a company future is _____. **1 Mark**

- A** Mission **B** Vision **C** Business Module **D** None of the above

Ans: A Mission

1. Mission

Explanation:

A Roadmap for Making Business Strategy Actionable. Businesses need a framework for guiding the mobilization of an organization around its strategic plan.
A "roadmap" enables everyone in the business to clearly understand each action and what decisions need to be made, who needs to make them and when.

Q75. Which of the following is not a clause of memorandum of association: **1 Mark**

- A** Situation **B** Capital **C** Subscription **D** Directors

Ans: D Directors

4. Directors

Q76. Who/ what appointed the first directors of a company? **1 Mark**

- A** The shareholders in general meeting **B** The Registrar of Companies **C** The articles of association
D The promoters

Ans: D The promoters

4. The promoters

Q77. _____ includes the rules and regulations on which the company's internal affairs are to be done. **1 Mark**

- A** Articles of association **B** Memorandum of association **C** Prospectus

D All of the above.

Ans: A Articles of association

1. Articles of association

Explanation:

The Articles of Association or AOA are the legal document that along with the memorandum of association serves as the constitution of the company.

It is comprised of rules and regulations that govern the company's internal affairs.

The articles of association are concerned with the internal management of the company and aims at carrying out the objectives as mentioned in the memorandum.

These define the company's purpose and lay out the guidelines of how the task is to be carried out within the organization.

The articles of association cover the information related to the board of directors, general meetings, voting rights, board proceedings, etc.

Q78. Where you want your business to be in 10 years time. This can be termed as _____.

1 Mark

- A** Mission statement **B** Vision statement **C** Statement of purpose
D Memorandum of understanding

Ans: B Vision statement

2. Vision statement

Explanation:

The vision statement is an aspirational description of what an organisation would like to achieve or accomplish in mid-term or long-term future It is intended to serve as a clear guide for choosing current and future goals of action.

Q79. A preliminary contract refers to a contract made on behalf of a company_____.

1 Mark

- A** Before the incorporation of the company. **B** After the incorporation of the company.
C After the company obtains the certificate to commence business.
D After incorporation but before obtaining the certificate of commencement of business.

Ans: A Before the incorporation of the company.

1. Before the incorporation of the company.

Explanation:

During promotion of the company, the promoter of the company enters into various contracts with the third parties, such contacts are not binding on the company after it is incorporated.

All such contracts which are entered by the promoter before incorporation are called preliminary contract.

Q80. Par value of shares means the _____ value of the shares.

1 Mark

- A** Actual **B** Face **C** Market **D** Dividend

Ans: B Face

2. Face

Q81. Port Trust dues are payable by _____.

1 Mark

- A** The forwarding agent **B** Importer **C** Exporter **D** Shipping company

Ans: B Importer

2. Importer

Explanation:

The 'Landing and Shipping DuesOffice' levies a charge for services of dock authorities which has to be borne by the importer.

After payment of dock charges, the importer is given back one copy of the application as a receipt. This receipt is known as 'port trust dues receipt'.

Q82. To complete winding up procedure of a company _____ is appointed.

1 Mark

- A** Registrar of Companies **B** Official Liquidator **C** Regional Directors **D** None of these

Ans: B Official Liquidator

2. Official Liquidator

Explanation:

Liquidator is a person who is appointed when a company goes into winding-up or liquidation, who is responsible for collecting all the assets under such circumstances of the company and settling all claims against the company before dissolving the company.

Q83. _____ capital means the sum mentioned in the capital clause of Memorandum of Association

1 Mark

A Full capital B Maximum capital C Share capital D Nominal Capital

Ans: D Nominal Capital

4. Nominal Capital

Q84. Promoter is a person who:

1 Mark

- A Takes part in the incorporation of a company. B Enters into preliminary contracts.
C Takes necessary steps to accomplish the object for which company is started. D All of the above**

Ans: D All of the above

4. All of the above

Q85. Wipro was founded in _____.

1 Mark

- A 1948 B 1958 C 1945 D 1968**

Ans: C 1945

3. 1945

Explanation:

Wipro is a multinational corporation of India. It is mainly a company based on information technology and business process services. Wipro was founded in 1945. Headquarter of Wipro is in Bangalore.

Q86. A company may allot fully paid shares to promoters or any other party for the services rendered by them, share capital account is credited and _____ debited.

1 Mark

- A Preliminary expenses account. B Goodwill account. C Capital reserve account.
D Suspense account.**

Ans: B Goodwill account.

2. Goodwill account.

Q87. Which of the following describes the desired future position of the company?

1 Mark

- A Company's Logo B Company's Vision Statement C Company's Mission Statement
D Company's Trade Mark or Patentor Design Right**

Ans: B Company's Vision Statement

2. Company's Vision Statement

Explanation:

A company's vision statement is an aspiration description of what an organisation would like to achieve or accomplish in the mid term or long term future.

It is intended to serve as a clear guide for choosing current and future courses of action.

Vision statements undergo revisions during the life of a business unlike operation goals which may be updated from year to year.

Q88. Application for approval of name of a company is to be made to:

1 Mark

- A SEBI. B Registrar of Companies. C Government of India.
D Government of the State in which Company is to be registered.**

Ans: B Registrar of Companies.

2. Registrar of Companies.

Explanation:

Having decided incorporate to a company, the promoters have to select a name for it and submit, an application to the registrar of companies of the state in which the registered office of the company is to be situated, for its approval.

The proposed name may be approved if it is not considered undesirable.

Q89. Preliminary Contracts are:

1 Mark

- A Binding on the Company. B Binding on the Company, if ratified after incorporation.
C Binding on the Company, after incorporation. D Not binding on the Company.**

Ans: D Not binding on the Company.

4. Not binding on the Company.

Explanation:

Preliminary contracts are signed between the promoters and the third party during the promotion of a company. As they are signed before the incorporation of a company, they are not regarded as binding on the company. The company cannot ratify these contracts and are not forced to honour them.

Q90. In case of a private company, Memorandum must be signed by at least _____ persons. **1 Mark**
A Two **B** Four **C** Six **D** Eight

Ans: A Two

1. Two

Explanation:

In case of a private company, Memorandum must be signed by at least 2 persons. And in case of public company, at least 7 persons.

Q91. The promoters have to submit how many, proposed names to ROC for selecting a name for a company? **1 Mark**
A 1 **B** 2 **C** 3 **D** 6

Ans: D 6

4. 6

Q92. If authorized by the _____ a company may received from a shareholder the amount remaining unpaid on shares, even though the amount has not been called up which is known as calls-in-advance.. **1 Mark**
A Memorandum of Association (MOA) **B** Articles of Association (AOA) **C** Prospectus
D Securities Exchange Board of India

Ans: B Articles of Association (AOA)

2. Articles of Association (AOA)

Explanation:

The Articles of Association or AOA are the legal document that along with the memorandum of the association serve as the constitution of the company. It is comprised of rules and regulations that govern the company's internal affairs.

The articles of association are concerned with the internal management of the company and aim at carrying out the objectives as mentioned in the memorandum.

The articles of association are comprised of the following provisions:

1. Share capital, call of share, forfeiture of share, conversion of share into stock, transfer of shares, share warrant, surrender of shares, etc.
2. Directors, their qualifications, appointment, remuneration, powers, and proceedings of the board of directors meetings.
3. Voting rights of shareholders, by poll or proxies and proceeding of shareholders general meetings.
4. Dividends and reserves, accounts and audits, borrowing powers, and winding up.

Q93. A public company can adopt _____ in place of its own articles. **1 Mark**
A Memorandum of association **B** Articles of association **C** Table A
D None of these

Ans: C Table A

3. Table A

Explanation:

A public company may have its own Articles of Association.

If it does not have its own Articles, it may adopt Table A given in Schedule I to the Act.

Q94. 'Men may come and men may go, but the company exists.' – This explains the characteristics of the company as per Companies Act 1956. **1 Mark**
A Separate legal entity **B** Perpetual Succession **C** Capacity to sue **D** None of the above

Ans: B Perpetual Succession

2. Perpetual Succession

Q95. Statement in lieu of prospectus can be filed by **1 Mark**
A Public company **B** Private company **C** Unregistered company **D** None of the above

Ans: A Public company

1. Public company

Q96. The duties of Company Secretary s regarding company meetings are restricted upto **1 Mark**

_____.

- A** Before company meeting **B** During company meeting **C** After company meeting
D In all the above situations

Ans: D In all the above situations

4. In all the above situations

Explanation:

The duties of the Company Secretary regarding company meetings go beyond administrative operations. Company Secretary acts as the chief advisor on corporate governance to the board, He has to structure the meetings, help determine the focus and purpose of the meeting, also discuss ideas with the other board members while preparing the final agenda.

Hence, his duties are restricted before company meeting, during a company meeting and after a company meeting.

Q97. Memorandum is the _____ document of a company. **1 Mark**

- A** Secondary **B** Primary **C** Sub-ordinate **D** Non of these

Ans: B Primary

2. Primary

Explanation:

Memorandum is the primary document of a company.

Memorandum of Association is a document of prime importance for a company. It depicts the objectives, extent of authority, competency, liabilities and legal rights of the company.

The Memorandum acts as a legal code or constitution for a company and regulates the relationships between the company and its shareholders, investors, beneficiaries and other members.

Q98. _____ is a note of record for future use. **1 Mark**

- A** Office circulars **B** Office Orders **C** Memo **D** Memorandum

Ans: B Office Orders

D Memorandum

4. Memorandum

Q99. The nominal value of qualification shares of directors must not exceed Rs. _____. **1 Mark**

- A** 2000 **B** 5000 **C** 1000 **D** 1500

Ans: B 5000

2. 5000

Explanation:

The Article of Association of a company may require the directors of the company to hold some minimum shares at the time of his appointment within certain time prescribed under the Companies Act.

The nominal value of the qualification shares shall not exceed Rs 5000.

Q100. Among the following which documents are not mandatory to be submitted to the registrar along with **1 Mark**

incorporation application by a private company.

- A** Address of Registered office & undertaking. **B** Undertaking and statement of capital.
C Statement of capital & list of directors. **D** List of directors and statement of capital.

Ans: A Address of Registered office & undertaking.

1. Address of Registered office & undertaking.

Q101. How many proposed names of a company have to be submitted by ROC at the time of incorporation? **1 Mark**

- A** 2 **B** 4 **C** 6 **D** 8

Ans: C 6

3. 6

Q102. The shares of a _____ company can be freely transferable **1 Mark**

- A** Private ltd **B** Public ltd **C** Partnership **D** All of the above

Ans: B Public ltd

2. Public Ltd

Q103. Promoter is both an agent and trustee of the proposed company.

1 Mark

A True

B False

C Partly True

D Partly False

Ans: B False

2. False

Explanation:

A promoter is neither a trustee nor any agent of the company which he promotes because there is no trust or principal in existence at the time of his efforts. But certain fiduciary duties, like an agent, have been imposed on him under the Companies Act.

As such he is said to be in & fiduciary position (a position full of trust and confidence) towards the company and the original allottee of shares. Consequently, a promoter must make full disclosure of the relevant facts, including any profit made.

Q104. Write a word or a term or a phrase which can substitute the following statement.

1 Mark

The person who initiates scheme of formation of company.

A Investor

B Promoter

C Shareholder

D Proprietor

Ans: B Promoter

2. Promoter

Explanation:

A promoter is a person who does the preliminary work incidental to the formation of a company, including its promotion, incorporation, and flotation, and solicits people to invest money in the company, usually when it is being formed.

Q105. _____ are the company created by special act of the legislature.

1 Mark

A Registered company

B Public Ltd Company

C Private Ltd company

D Statutory company

Ans: D Statutory company

4. Statutory company

Q106. _____ is required to undertake the business activities is provided by banking and financing institutions.

1 Mark

A Capital

B Investment

C Liability

D Interest

Ans: A Capital

1. Capital

Explanation:

Wealth in the form of money or assets, taken as a sign of the financial strength of an individual, organization, or nation, and assumed to be available for development or investment. 2. Accounting: Money invested in a business to generate income.

They are purchased and used to help your company produce consumer goods or provide services.

They are reported as assets on a company's balance sheet and often can be depreciated over time.

Examples of capital goods include buildings, machines, equipment, furniture and fixtures.

Q107. Which of the following is not file to the registrar at the time of incorporation?

1 Mark

A Memorandum of Association (MOA)

B Articles of Association (AOA)

C Statutory declaration of Compliance

D Prospectus

Ans: D Prospectus

4. Prospectus

Q108. The rules regarding internal management are given in the _____.

1 Mark

A Memorandum of Association

B Articles of Association

C Table A

D All of above

Ans: B Articles of Association

2. Articles of Association

Explanation:

Articles of Association are the rules regarding internal management of a company.

These rules are subsidiary to the Memorandum of Association and hence, should not contradict or exceed anything stated in the Memorandum of Association.

Q109. The common seal of the company should have:

1 Mark

- A** The company's name **B** The words 'corporate seal' **C** The place of the company
D All the above.

Ans: D All the above.

4. All the above.

Q110. A qualified Company Secretary is needed to be appointed as secretary to a company only on the basis of the_____ **1 Mark**

- A** Business of the company **B** Paid-up capital of the company **C** Location of the company
D Listing of the company on any stock exchange

Ans: B Paid-up capital of the company

2. Paid-up capital of the company

Explanation:

Companies having paidup capital of Rs 5 crores or more has to mandatorily have a Company Secretary in whole time employment.

Q111. The process of incorporation of a company is carried out by: **1 Mark**

- A** Members **B** Directors **C** Promoters **D** Shareholders

Ans: C Promoters

3. Promoters

Q112. The qualification share must be purchased by the Directors within _____months from his appointment. **1 Mark**

- A** 2 **B** 4 **C** 8 **D** 6

Ans: A 2

1. 2

Explanation:

The article of association of a company may require the Directors of that company to hold some minimum shares at the time of his appointment within such a time limit as prescribed under section 270 of the companies act 1956.

This minimum shares is known s 'Qualification Shares'.

If the Directors doesn't hold that share qualification at the time of his appointment then he must require them within two months of his appointment.

Q113. A Government Company means any company in which not less than 51% of the paid-up share capital is held by. **1 Mark**

- A** Central Government **B** State government **C** Both a & b **D** Neither a nor b

Ans: C Both a & b

3. Both a & b

Q114. When a right to sell a security is acquired, it is known as _____. **1 Mark**

- A** Call option **B** Put option **C** Double option **D** Single option

Ans: B Put option

2. Put option

Q115. When the registered office of a company is changed within a city then it has to be intimated to the registrar within _____ days of such change. **1 Mark**

- A** 60 **B** 45 **C** 30 **D** 7

Ans: C 30

3. 30

Q116. Section 12 of Companies Act 1956, deals with. **1 Mark**

- A** Incorporation **B** Share capital **C** Number of Directors **D** Shareholders

Ans: A Incorporation

1. Incorporation

Q117. A company incorporated by the act of the parliament is: **1 Mark**

A Statutory Company **B** Private Company **C** Chartered Company **D** Government Company

Ans: A Statutory Company

1. Statutory Company

Q118. Choose the correct option from the following.

1 Mark

- A** Regular buyers generally accept material on credit.
- B** Regular buyers generally do not accept material on credit.
- C** Regular buyers generally do not maintain good relations with the seller company.
- D** Regular buyers generally avoided by the seller company.

Ans: A Regular buyers generally accept material on credit.

1. Regular buyers generally accept material on credit.

Explanation:

Regular buyers generally accept material on credit because continuously purchasing of material from particular seller builds a bridge of trust between both the parties.

Q119. A prospectus is issued by:

1 Mark

- A** A private company.
- B** A public company seeking investment from public.
- C** A public enterprise.
- D** A public company.

Ans: B A public company seeking investment from public.

2. A public company seeking investment from public.

Explanaton:

for raising the required funds from the public by means of issue of shares and debentures, a public company has to Issue a prospectus which is an invitation to the public to subscribe to the capital of the company and undergo various other formalities.

Q120. _____ share capital has priority both in repayment of dividend as well as capital.

1 Mark

- A** Equity
- B** Non preference
- C** Preference
- D** All of the above

Ans: C Preference

3. Preference

Q121. A company incorporated by the act of the parliament is:

1 Mark

- A** Statutory Company
- B** Private Company
- C** Chartered Company
- D** Government Company

Ans: A Statutory Company

1. Statutory Company

Q122. Who conceives the idea of a business?

1 Mark

- A** Promoters
- B** Directors
- C** Auditors
- D** None of the above

Ans: A Promoters

1. Promoters

Explanation:

A promoter conceives the idea for setting up a particular business and performs various formalities required to start a business.

Q123. MCA stands for _____.

1 Mark

- A** Ministry of Corporate affairs
- B** Manager of Company Acts
- C** Ministry of Corporate
- D** None of the above Administration

Ans: A Ministry of Corporate affairs

1. Ministry of Corporate affairs

Explanation:

MCA stands for Ministry of Corporate Affairs.

MCA regulates corporate affairs in India through the Companies Act, 1956, 2013, and other allied Acts, Bills, and Rules.

MCA also protects investors and offers many important services to stakeholders.

Q124. Who stands in the fiduciary position of the company?

1 Mark

- A** Directors
- B** Promoters
- C** Auditors
- D** None of the above

Ans: B Promoters

2. Promoters

Explanation:

The promoter stands in a fiduciary relationship to the company and its Shareholders, as well as any co-promoters.

Promoters have a fiduciary duty to act in good faith and with utmost honesty, and they must always put the interests of the company and its shareholders above their own interests.

Q125. A company is known as the _____ company of another company if it has control over that other company. **1 Mark**

- A** Subsidiary **B** Holding **C** Controlling **D** Statutory

Ans: B Holding

2. Holding

Q126. Pre-incorporation contracts are entered into by: **1 Mark**

- A** Members **B** Directors **C** Promoters **D** Shareholders

Ans: C Promoters

3. Promoters

Q127. In case of private companies, MOA must be signed by: **1 Mark**

- A** 1 (One) subscribers **B** 2 (Two) subscribers **C** 3 (Three) subscribers **D** 7 (seven) subscribers

Ans: B 2 (Two) subscribers

2. 2 (Two) subscribers

Q128. Select the correct option given below: **1 Mark**

A person cannot act a Managing Director of more than _____ companies.

- A** Two **B** Four **C** Six **D** Eight

Ans: A Two

1. Two

Explanation:

A Managing Director means a director who, by virtue of an agreement with the company or by the resolution passed by the company in general meeting or Articles of Association is entrusted with substantial powers of management which would not otherwise be exercisable by him and includes a director occupying the position of a managing director. A person cannot act as a managing director of more than two companies.

Q129. When a person transacts with a company on matters which is beyond the power of the company, the person will be governed by the Doctrine of _____. **1 Mark**

- A** Management by Exception **B** Constructive Notice **C** Indoor Management
D Self Management

Ans: B Constructive Notice

2. Constructive Notice

Explanation:

Constructive notice is the legal fiction that signifies that a person or entity should have known, as a reasonable person would have, of a legal action taken or to be taken, even if they have no actual knowledge of it.

Q130. The articles of association need to be signed by. **1 Mark**

- A** All proposed directors **B** Registrar **C** Subscribers of memorandum
D None of the above

Ans: C Subscribers of memorandum

3. Subscribers of memorandum

Q131. Which of the following is true about pre-incorporation contract? **1 Mark**

- A** Company is not bound by the preliminary contract after registration.
B A company cannot enforce the preliminary agreement.
C A registered company cannot ratify the pre-incorporation contract. **D** All of the above

Ans: D All of the above

4. All of the above

Q132. A proposed name of Company is considered undesirable if:

1 Mark

- A** It is identical with the name of an existing company.
- B** It resembles closely with the name of an existing company.
- C** It is an emblem of Government of India, United Nations etc.
- D** In case of any of the above.

Ans: D In case of any of the above.

4. In case of any of the above.

Explanation:

The name proposed for a company is considered 'undesirable' if it is identical to the name of an existing company, or if the proposed name closely resembles the name of an existing company, or if it is an emblem of a government organisation. In all these cases, the name proposed is considered 'undesirable'.

Q133. After registration what status company acquires?

1 Mark

- A** Firm
- B** Association of Person
- C** Body of Individuals
- D** Artificial judicial person

Ans: D Artificial judicial person

4. Artificial judicial person

Q134. For alteration in the Articles, ___ resolution is required.

1 Mark

- A** Ordinary
- B** Special
- C** Circular
- D** None of these

Ans: B Special

2. Special

Explanation:

Articles of Association are rules of internal management of the company. They indicate how the objectives of the company are to be achieved. Articles can be altered by passing a special resolution by the members.

Q135. A document which contains the rules and regulations regarding internal management of a company is

1 Mark

_____.

- A** Prospectus
- B** Articles of Association
- C** Memorandum of Association
- D** All of above

Ans: B Articles of Association

2. Articles of Association

Explanation:

Articles of Association are the rules regarding internal management of a company. These rules are subsidiary to the Memorandum of Association and hence, should not contradict or exceed anything stated in the Memorandum of Association.

Q136. An _____ gives guarantee to purchase unsold shares.

1 Mark

- A** Underwriter
- B** Auditor
- C** Entrepreneur
- D** None of these

Ans: A Underwriter

1. Underwriter

Explanation:

An underwriter gives guarantee to purchases unsold shares. They agree to take risk for a certain amount of fees.

Q137. Which of the following is not a correct statement?

1 Mark

- A** Memorandum states the objects while Articles provide the manner in which objects may be attained.
- B** Memorandum is the constitution whereas Articles are internal regulations.
- C** Articles are subordinate to the memorandum.
- D** Memorandum controlled by the Articles.

Ans: D Memorandum controlled by the Articles.

4. Memorandum controlled by the Articles.

Explanation:

A company needs to file the memorandum of association and the articles of association with the registrar of the company at the time of Incorporation.

The Memorandum of Association states the primary and secondary objectives of the company. It needs to be signed by the promoters of the company.

It lays down the constitution of the company. A company cannot do anything beyond the scope mentioned in the MOA.

However, the articles of association lay down the manner in which the company will achieve the objectives and also the internal regulations.

Thus, the articles are subordinate to the Memorandum of articles.

Q138. Minimum number of members to form a public company is:

1 Mark

A 5

B 7

C 12

D 21

Ans: B 7

2. 7

Explanation:

To form a public company, at least seven members must sign the memorandum of association.

Q139. The number of business methods patents granted is _____ compared to the number of patents applied for.

1 Mark

A Substantially smaller

B Slightly smaller

C Close to equal

D Equal

Ans: A Substantially smaller

B Slightly smaller

1. Substantially smaller

Q140. The _____ is primary and supreme document of the company.

1 Mark

A Articles of Association

B Prospectus

C Memorandum of Association

D All of above

Ans: C Memorandum of Association

3. Memorandum of Association

Explanation:

The Memorandum of Association is primary and supreme document of the company.

Memorandum of Association is a document of prime importance for a company.

It depicts the objectives, extent of authority, competency, liabilities and legal rights of the company.

The memorandum acts as a legal code or constitution for a company and regulates the relationships between the company and its shareholders, investors, beneficiaries and other members.

Q141. Those who initiate formation of a company are called _____.

1 Mark

A Underwriters

B Directors

C Promoters

D None of these

Ans: C Promoters

3. Promoters

Explanation:

When an individual has an idea for a new business venture, he or she may set about interesting others in the venture and persuade them to contribute capital to a company to be incorporate for the purpose of carrying on the venture.

The individual will then be described as 'promoter' of the company.

Q142. The capital raised by issue of equity shares is known as _____.

1 Mark

A Owner's funds

B Retained earnings

C Preference capital

D Bonus shares

Ans: A Owner's funds

1. Owner's funds

Explanation:

The capital raised by equity shares is known as owner's funds. The capital employed in a company is the difference between value of assets and value of liabilities.

Q143. The strength of management depends largely on the relationship between _____.

1 Mark

A The company's shareholders, board of directors, and the senior executive officers.

B Shareholders and debenture holders.

C Shareholders, debenture holders and employees.

D Board of directors and the senior executive officers.

Ans: A The company's shareholders, board of directors, and the senior executive officers.

1. The company's shareholders, board of directors, and the senior executive officers.

Explanation:

The strength of management depends largely on the relationship between the company's shareholders, board of directors and the senior executive officers.

These are the top level management of a company and act as the pillars of a company.

Q144. The software company promoted by Narayan Murthy is _____.

1 Mark

- A** Wipro **B** Infosys **C** Satyam **D** HCL

Ans: B Infosys

2. Infosys

Explanation:

Narayanmurthy and six software professionals founded Infosys in 1981 with an initial capital injection of Rs 10,000, which was provided by his wife Sudha Murthy.

Narayanmurthy served as the CEO of Infosys for 21 years from 1981 to 2002 and was succeeded by co-founder Nandan Nilekani.

Q145. The elected representatives of shareholders who manage company are called _____.

1 Mark

- A** Director **B** Secretary **C** Promoter **D** Investor

Ans: A Director

1. Director

Explanation:

The shareholders of a corporation elect the board of directors to govern the management decisions as their representatives. Moreover, they also see the corporate decisions.

Hence, the board of directors is directly responsible for safeguarding and managing shareholders interest in the company.

Q146. Select the correct option given below:

1 Mark

Return of allotment must be filed with the Registrar of companies within _____ days from the date of allotment.

- A** 10 **B** 20 **C** 30 **D** 40

Ans: C 30

3. 30

Explanation:

According to section 39 of companies act 2013: if the minimum amount has not been subscribed and the sum payable is not received within 30 days from the date of issue of the prospects or such other period as may be specified by the securities and exchange, the amount received under sub section (1) shall be returned within such time and manner as may be prescribed

Q147. _____ cannot give an invitation to the public to subscribe for any shares in or debentures of the company.

1 Mark

- A** Subsidiary Company **B** Statutory Company **C** Private Company **D** Registered Company

Ans: C Private Company

3. Private Company

Q148. The company will be considered as separate person and different from its members from the date of _____.

1 Mark

- A** Start of business **B** Apply for registration **C** Receive incorporation certificate
D Mentioned in certificate

Ans: D Mentioned in certificate

4. Mentioned in certificate

Q149. If the proposed nominal capital is more than 25 lakh at the time of incorporation, then the company needs to submit _____ along with the application.

1 Mark

- A** Statement of capital **B** Certificate of incorporation **C** Certificate of capital
D Certificate of incorporation

Ans: C Certificate of capital

3. Certificate of capital

Q150. Mission statement is derived from _____.

1 Mark

- A** Vision statement **B** Laws and statues **C** Company policies
D Memorandum of Association

Ans: A Vision statement

1. Vision statement

Explanation:

A Mission Statement is concerned with the company's present, its objectives and its approach to reach those objectives.

A company's mission statement is derived from its vision statement because it is through a vision statement that a company sees itself in future. Without vision, a company cannot derive its mission statement.

Q151. Which of the following refers to a contract by which one party promises to save the other from loss caused by him by the conduct of the Promisor himself, or by the conduct of any other person?

1 Mark

- A** Contract of guarantee **B** Contract of surety **C** Contract of indemnity **D** Contract of liability

Ans: C Contract of indemnity

3. Contract of indemnity

Explanation:

The term Indemnity literally means "Security against loss". In a contract of indemnity one party – i.e. the indemnifier promise to compensate the other party i.e. the indemnified against the loss suffered by the other.

The definition of a contract of indemnity as laid down in Section 124 – "A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself, or by the conduct of any other person, is called a contract of indemnity.

Under a contract of indemnity, liability of the promisor arises from loss caused to the promisee by the conduct of the promisor himself or by the conduct of other person.

Q152. Operating leverage examines _____.

1 Mark

- A** The effect of the change in the quantity on EBIT.
B The effect of the change in EBIT on the EPS of the company.
C The effect of the change in output to the EPS of the company,.
D The effect of change in EPS on the output of the company.

Ans: A The effect of the change in the quantity on EBIT.

1. The effect of the change in the quantity on EBIT.

Explanation:

Operating leverage refers to a cost accounting formula that measures the degree to which a firm can increase its operating income by increasing revenue.

It examines the effect of the change in the quantity on earning before Interest and Tax. A business generating fails with the high gross margin and low variable costs has high operating leverage.

Q153. After receipt of _____, a public company will be able to start its business.

1 Mark

- A** Trading Certificate **B** Certificate of Incorporation **C** Prospectus
D None of these

Ans: B Certificate of Incorporation

2. Certificate of Incorporation

Explanation:

A public limited company cannot conduct business or exercise borrowing powers unless it has obtained a trading certificate from Companies House confirming that it has the minimum allotted share capital.