



Chhatrapati Shahu Ji Maharaj
University, Kanpur

Answer Script Details
Barcode 7768233

Roll No. 23086004441
Total Mark 65/100.00

Exam LLB_ODD-EXAM-DEC-24
Subject LLB303 - COMPANY LAW

Question wise Mark Summary

Q.No Mark Q.No Mark Q.No Mark Q.No Mark

1A 3/4 9 9/15

1B 3/4

1C 3/4

1D 3/4

1E 3/4

1F 3/4

1G 2/4

1H 3/4

1I 3/4

1J 3/4

2 NA/15

3 NA/15

4 9/15

5 9/15

6 9/15

7 NA/15

8 NA/15

Chhatrapati Shahu Ji Maharaj University Kanpur, Uttar Pradesh

PART-I

Date of Exam: 03/02/25 Shift: I Room No.: 47
 Paper Code: LLB 303 Subject: COMPANY LAW Year/Sem: III
 Name of Candidate: JAYA PARIHAR

Roll No. 23086004441

Signature of Candidate: Jayaparker
 Signature of Invigilator: S. Singh
 COE Facsimile: [Signature]

PART-II

MARKS OBTAINED										
Q.	1	2	3	4	5	6	7	8	9	10
(a)										
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Total										
Total Marks in Figures										Max. Marks
Total Marks in Words										



LLB 303

 Paper Code

Signature of Evaluator

PART-III

Course: LLB
 Session: 2024-25 Year/Semester: III
 Subject Name: COMPANY LAW
 Medium: English Hindi
 Paper Code: LLB 303
 Exam Date: 03/02/2025
 Name of Candidate: JAYA PARIHAR
 Father's Name: JAY SINGH

कक्षा का कोड
College Code

K	N	O	S
A	A	0	0
E	B	1	1
F	D	2	2
H	J	3	3
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उत्तर केंद्र का कोड
Exam Centre Code

K	N	O	S
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परीक्षा का प्रकार
Type of Exam

Regular
 Special
 Back Paper Exam

ANSWER BOOKLET NO.

7768233

Paper Code: LLB 303



PART-IV

Enrolment Number: CSJMA 23000149970
 Candidate's Roll Number: 23086004441
 Paper Code: 303

2	3	0	8	6	0	0	4	4	4	1
A	0	0	0	0	0	0	N			
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Jayaparker

 Signature of Candidate

S. Singh

 Signature of Invigilator

केन्द्राध्यक्ष
 ब्रह्मानन्द कालेज
 CSJMA

[Signature]
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नोट - 1. परीक्षाओं को निर्दिष्ट कक्षा में ही लेना है कि आवश्यक होने पर कक्षा के अंदर ही परीक्षाओं को आयोजित करने का प्रावधान है।
 2. परीक्षा में भ्रष्टाचार करने वाले उम्मीदवारों का नाम सूची में नहीं होगा।
 3. परीक्षाओं को आरंभ करने से पहले परीक्षा केंद्र में प्रवेश करेंगे।



INSTRUCTION TO THE CANDIDATE FOR FILLING PART-I

1. Read the instructions carefully given on the answer script and admit card.
2. Write Date of Exam, Shift, Paper Code & Name of Subject Correctly.
3. Write Name & Roll No. Correctly.
4. Write Semester & Branch Correctly.

INSTRUCTION TO THE CANDIDATE FOR FILLING PART-III

1. Use blue or black ball point pen for writing alphabets & numerals in boxes.
2. Carefully study the example before you start marking.
3. As shown in the example below, blacken the circles completely.



4. Make no Stray marks on this sheet.

5. DO NOT WRITE OR MARK ON THE BAR CODE.

IN ORDER TO AVOD UFM (UNFAIR MEANS) :

1. The Roll No. and Answer Book no. found elsewhere or any other symbol found in the answer book will be treated as unfair means.
2. Any tampering of Bar Code and Booklet no shall be treated as Unfair Means.
3. Do Not bring the materials like slip of paper/mobile/digital diaries/ study material/ revision notes in examination hall. Possession of the mobiles/ digital diaries/electronic/digital/ watch and any other electronic gadget except memory less scientific calculator shall be considered as UFM case.
4. Do not keep or paste currency note in answer script it shall be consider as UFM.

अनुचित साधन से बचने हेतु :

1. उत्तर पुस्तिका के निर्देशित स्थान को जाँचकर अनुक्रमिक एवं उत्तरपुस्तिका का क्रमांक उल्लेख और न लिखे लगा कोई भी चिह्न न बनाये क्योंकि यह अनुचित साधन प्रयोग की परिधि में आता है।
2. उत्तर पुस्तिका के बारकोड अथवा उत्तर पुस्तिका संख्या पर छेद डाल करने पर अनुचित साधन प्रयोग माना जावेगा।
3. परीक्षा कक्ष में निम्न वस्तुएं लाए न जाएँ, जैसे किताबें हलू, कगल के टुकड़ें, मोबाइल, डिजिटल घड़ी, डिजिटल जॉब, कलम, पुस्तक यह सभी वस्तुएं जो अनुचित साधन के अन्तर्गत आती हैं। कोसल संवर्धित प्रणालय में ही वैधोरी लेख सांख्यिकी कंप्यूटर से जाने धरे अनुपलब्ध होगी।
4. उत्तर पुस्तिकाओं में कलम न हवीं न ही उत्तर पुस्तिका में चिह्नकारी। ऐसा करना अनुचित साधन प्रयोग की परिधि में आता है।

उत्तरपुस्तिकाओं को भिन्न न करें।

1. कोसल कक्ष एवं उत्तर पुस्तिका पर दिवें गये निर्देशों को ध्यान से पढ़ें।
2. अन्तर पुस्तिका में सुस्ती तालक कुछ न लिखें।
3. उत्तर पुस्तिका के पृष्ठों पर दोनो तालक लिखें।
4. उत्तर पत्र पर अपने अनुक्रमिक को अतिरिक्त कुछ न लिखें।
5. उत्तर पत्र कोड एवं उत्तर पत्र ID साफ़ासी पूर्वक लिखें।
6. अन्वयी स्थिति स्पष्ट लिखें।
7. उत्तर पुस्तिका के पृष्ठों की संख्या देखें। अन्तर उत्तर पुस्तिका में पृष्ठ (1-24) से कम है या फटे हुए है, तो परीक्षा शुरू होने से पूर्व दूसरी उत्तर पुस्तिका ले लें।
8. उत्तरपत्र को देख, यदि उत्तरपत्र के विषय कोड, विषय का नाम तथा उत्तर पत्र में कोई त्रुटि है तो उसकी परीक्षा होने से 30 मिनट के अन्तर कक्ष निरीक्षक को तालक सहित सूचित करें, उसके बाद विरहीद्यालय द्वारा कोई कार्य नहीं की जावेगी।
9. उत्तरों के उत्तर लिखने के दिवें पेंसिल का प्रयोग न करें।
10. भी कोई वा अतिरिक्त टालक नहीं दिया जावेगा।

INSTRUCTION TO THE CANDIDATE

1. Read the instructions carefully given on the Question Paper, Admit Card & Answer Script.
2. Do not write anything on back side of the cover page.
3. Write on both sides of pages of answer book.
4. Do not write anything on question paper except Roll Number.
5. Write Paper Code & Question Paper Id carefully.
6. CHECK the number of pages (1-24) or any other kind of damage in your answer script, if found than change the answer script immediately before the commencement of examination.
7. CHECK the Question Paper for any kind of discrepancy e.g. Subject Code, S. Name, and Question of the Question Paper during first THIRTY MINUTES of commencement of the exam, so that it can be corrected in TIME. After that no corrections shall be entertained by the university.
8. Do not use pencil for answering the question.
9. Write status correctly e.g. those appearing in carry over papers should fill in status as Carry Over. Those appearing as Ex-Students should fill in status as ex.
10. No supplementary answer book & graph paper will be provided.

INSTRUCTION TO THE CANDIDATE FOR FILLING PART-IV

1. Use blue or black ball point pen for writing alphabets & numerals in boxes.
2. Use blue or black ball point pen for filling the circles.

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Note- If your Roll No. is of 10 digits. Please leave first three columns .





Paper Code

CLB303



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Section B

Ques 4:- Scope of Doctrine ----- Exceptions?

Doctrine of indoor management is a fundamental principle of company law.

Under this doctrine the 3rd parties or outsiders are protected', Also known as 'Turquand Rule'

The doctrine states that the person who is dealing with the company are immune to any mismanagement being done in the internal governance of company.

It gives an exception to the doctrine of constructive notice, that one can presume that the company is being run with all the regulation according to the statutory provisions of the company Act, 2013.

Doctrine of Indoor management can help the people interested in company to presume that every action / act done by company is within the range of what is prescribed in its Memorandum of Association (MOA) & Articles of Association.

Its origin can be traced from case of:-

"Royal British Bank v/s Turquand"

where in the bank relied on the public documents MOA & AOA present of company. Hence through this case it was made an exception to doctrine of constructive notice.

* Principle based on - The doctrine of indoor management



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is based on 'Principle of good faith'. It means that one can presume that the company is running/acting in a good faith in accordance of what its powers & functions are, as stated in MOA & AOA.

The doctrine help the investors to rely on the documents present in public of the company namely:-

- (i) Memorandum of Association
- (ii) Article of Association
- (iii) Certificate of Incorporation
- (iv) Prospectus issued by company.

* Key Elements of doctrine

- (i) Protection from Irregularities :- The doctrine protects the investors, shareholders or any one interested in the company from the irregularities done in the internal management & governance of the company.
- (ii) Saving interest of Members / interested persons
The doctrine shifts the liability on the company from the investors / any other dealing with the company by making company liable for its internal misconduct & non-compliance with the statutory or legal requirements.

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Paper Code

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(iii) Non compliance with statutory/legal requirements.

The doctrine assumes that the outsiders do not know the internal working of any company or organization but rely on the MOA & AOA and other legal/statutory requirements by the Companies Act, 2013.

Exceptions

(i) Negligence by 3rd party - if the 3rd party works in negligence and do not inquire or read the public documents, company cannot be held liable.

(ii) Suspicion on activities of company if the company acts suspiciously and the 3rd party do not check it, it is not liable.

ex: Borrowing done by 01 director when other directors are present.

(iii) 3rd party not acting in due diligence duty of 3rd party to act in due diligence and check the company before making any relation.

(iv) Doctrine of constructive notice it is duty of 3rd person to check the public documents available and then take any decision.

Hence, doctrine protects the interested members from any misconduct, mis-governance on the part of company.



Paper Code

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4

Que 5- Role of National - - - - - corporate disputes?

National company law tribunal was formed to give speedy, cost effective and easy accessible justice to the corporate affairs.

(NCLT) National company law tribunal was formed in year 2016 with an aim to protect the interest of the people dealing with companies body corporate and companies themselves.

National company law tribunal (NCLT) is one of the apex institutions in the country for any corporate dispute where the aggrieved can move to get their matter adjudicated by the experts.

National company law tribunal has subsumed other institutions present, who used to provide legal service & adjudication in matter of disputes.

- i) Corporate Body of Law (CBL)
- ii) BFR BIFR
- iii) AAIFR

Now it stands as prestigious institution to provide legal remedy in matter of dispute arising in the law field.

* Key features

- i) Speedy disposal of case - The National company law

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tribunal (NCLT) and ensures that the disputes brought in the mandata are disposed quickly providing relief to the aggrieved parties.

(ii) Adjudication through experts NCLT provides the adjudication of the disputes through the experts of corporate / company law field. Specialized adjudication helps the case to be disposed off without being lying in statement due to legal technicalities.

(iii) less complex legal procedure National company law tribunal (NCLT) provides simple legal procedures to be followed, ensures that legal technicalities do not become hindrance in justice.

(iv) Accessibility Moving away from technical traditional law court system, which follows complex procedure making it difficult for the

(v) Cost effective & time saving procedure Adjudication through national company law tribunal is cost effective as compared to the traditional law court as it follows simplified procedure making the justice cheap and possible for every company & individual.

(vi) Approach to NCLAT - In case on non-satisfaction one can move to NCLAT for remedy against the award.



Analysis

- (i) Simplified procedures :- Following simplified procedures ensures that any one can move to the Tribunal for justice without legal technicality.
justice without technical & complex framework.
- (ii) Specialized adjudication :- The matter & facts of the case are dealt by the expert in the field of law making justice specialized according to the Companies Act, 2013.
- (iii) Speedy disposal :- The justice provided is speedy within a set time framework, making company focus on their companies [✓] saving time.
- (iv) Cost effective :- Because justice is cost effective it does not increase the legal compliance cost of the companies, making them opt for quick & cost effective justice.
- (v) Non-satisfaction & NCLAT - In the case of non-satisfaction with the award given by NCLT aggrieved party can move to National Company Law Appellate Tribunal, making them reach the apex of justice delivery.

Hence, NCLT has provided companies with adjudication of dispute which is time-bound, cost effective & specialized - company can focus on efficiency and economies of scale.



Paper Code

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Section - C

Que 6:- Duties - - - - - companies Act, 2013?

Directors are the legal entities appointed by the companies to ensure operational efficiency, effective governance in the company.

Directors are part of a larger association called Board of Directors who are involved in day to day functioning of the company.

* Appointments

- (i) By Shareholders - Directors can be appointed by the Shareholders during board meetings for governance of the company.
- (ii) By Article of Association - Directors name mentioned in the AOA are considered directors.
- (iii) By Board of directors - The board of directors can appoint two types of directors.
 - (i) Alternate director - in case of vacancy for more than 6 months
 - (ii) Additional director - In case of temporary vacancy
- (iv) By tribunal - Can appoint directors in case of internal mismanagement & oppression.
- (v) By central government - In case of any fraudulent activities.



* Types of director

- (i) Executive director - who ensures day to day operational efficiency.
- (ii) Non-executive director - provides only oversight.
- (iii) Nominal director - Appointed by bankers, investment house & solicitors.
- (iv) women directors - mandatory to have 'one' women director in case turnover is more than 3 crores.
- (v) Minority director / Small shareholder - In case of 1000 small share holders present, to protect their interest.
- (vi) Alternate - In case of vacancy for more than 03 months.
- (vii) Additional - In case of temporary vacancy.

* Duties

- Statutory
- Fiduciary
- Judicial

(i) Fiduciary duties

- (a) Act in good faith - Directors are expected to act in best interest of the company.
- (b) Act in honesty - Directors are assumed to act honestly towards their duty & comply the legal provision.
- (c) Act in loyalty - without appropriating any hidden profit or interest from company's name.
- (d) Act in interest of the company.



Paper Code

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~~(A) Statutory duties~~ * Powers of Directors

- (a) call the company meeting - expected to call the Annual general meetings, EGM & Board of director meetings.
- (b) Appoint key managerial personals (KMP) - for operational efficiency
- (c) Approval of financial returns - So that company comply with the statutory provision
- (d) Inte dividend distri ✓ - ensure that the dividend is distributed as to provisions of companies Act, 2013
- (e) Book maintaining - Director should ensure that books of the company are upto dated and follow given procedure
- (f) Corporate social Responsibility - Ensure that company objectives are aligned with National interest.
- (g) Decide interest of equity shareholders - Decided by BoD.

* Liabilities

- (i) liable for civil misconduct - In case director authorise the document which is untrue, omission of facts or misrepresentation of facts there.
ex: liable for damages caused due to this to the aggrieved.
- (ii) Liabilities for criminal misconduct - Any act done with an intention to deceive or fraud the person interested in company may make liable for criminal misconduct.
ex: Approval of prospectus with misrepresentation of facts for inviting the shareholders.

Hence directors plays important role in working of the company.

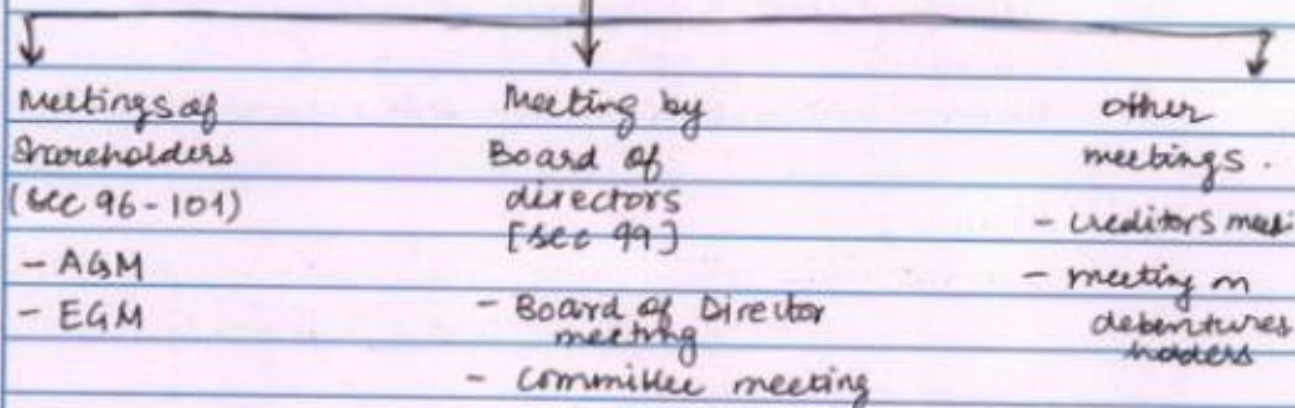


Que 9:- Types of meetings - - - - - significance.

Meeting is gathering of company individuals to discuss about the working, operation & governance of the company.

Regular meeting with compliance of ensures that the company is not working arbitrarily, working according the powers given by MOA & AOA. and compliance to the statutory provisions of Companies Act, 2013.

type of meetings



A. Meeting of Shareholders

(i) Annual general meeting [AGM] - It is an annual meeting of the shareholders of company, to discuss the working of company & its governance & shares

* Key provisions :-

(i) 1st AGM - is to be held after subscription incorporation of the company within 9 months.



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- Subsequent AGM → Should be held with 6 months of closing of financial year.
- The gap between two AGM's should not be more than 15 months.

(ii) Extraordinary general meetg. [EGM] - Any meeting which is not AGM is called EGM. It is called by shareholders if they think any matter is of 'urgency' and cannot be wait until next AGM.

* Key provisions -

- (a) the matter of discussion should be specific and of urgency.
- (b) Quorum should be reached within 30 min otherwise the meeting will be adjourned.
- (c) important decisions such as:-
 - + Removal of directors
 - Increase in share capitaletc. are discussed in EGMs.

B. Meeting by Board of directors

(i) Board meetings - Board meetings are called for discussing matters which are related to effective governance, day to day operations of the company.

It is held by members of the board to ensure company works efficiently.

* key provisions :-

- (i) 1st Board meeting → 1st board meeting is to be



held within 30 days of incorporation of company

- It is mandatory to conduct '04' board meeting annually without having gap of '120 days' in between 02 meetings.

ii) Committee meeting - ✓ committees are formed to deal with the specific and specialized work of the company.

(a) Standing committee - 'permanent committee' to deal with matter of utmost specialization & importance

(b) Ad-hoc committee - 'temporary committee' - to deal with circumstantial matters.

* Key provisions - The committee meetings can be held twice in a year, with gap of 6 months - and the gap between two committee meetings should not be less than 90 days.

C. Other meetings

Other meetings are held according to the needs of the situations, some examples are:-

(i) Creditors meetings

(ii) Debenture meeting holders meetings etc.

Hence, through meetings the company works efficiently and any dispute is easily resolved through voting in the meetings ✓
effective for growth of company.

Section AQues 1 (a)

'Concept of separate legal entity' ensures that the company is an artificial person who can exist separately.

Concept of separate legal entity was presented in the case 'Salmon v/s Salmon' - which made it concrete that the company is different from its creators or owners and have its own legal existence. This doctrine makes the incorporator/promoter of company different from company, whose company acts as a legal person, through its agents.

Powers after becoming separate legal entity

- i) Power of perpetual succession:- Because company is a separate artificial legal person it does not dissolve if any of its shareholder/directors etc dies.
- ii) Power to sue and to be sued:- Because company exists as separate legal person it can initiate legal proceeding against anyone in its name.
- iii) power of own assets - company can own assets and hold liabilities in its own name which are separate from its shareholders/members.
- iv) power of limited liability - company can be held



any one liable if they are liable by shares or liable by guarantee.

(V) Artificial person Company acts as an artificial person who ~~can~~ is different from its promoters or shareholders, and exists independent of them. It can acquire property, provide employment and generate profit. All this is done through the agents of the company.

Hence, company exists as a ^{separate} legal entity to ensure its effective working without hindrance.

Ques 1 (b) A 'private' and a 'public' company have key similarity that they are registered under the Companies Act 2013.

(i) Private company is

- A private company is held by atleast 2 members
- Private company has to use 'limited' in its name.
- Its members can range between '2 to 200' members.
- The private company is not bound to issue prospectus as they do not raise capital from public through shares
- The capital of private company is acquired



- Memorandum of Association governs - 'what to do?'
- Articles of Association directs - 'how to do?'

- Through Articles of Association the company ensure that the powers exercised any acts / actions are not ultra vires ^{to} MOA.

- Article of Association acts like guiding light to ensure that objects of Memorandum of Association [MOA] are fulfilled.

* Contents of Article of Association

- Issue of shares to the shareholders
- Rights & powers, duties of directors.
- Meeting to be held in an year.
- Name of the company, its office and of shareholders - etc details.
- Other matters which are important for day-to-day operations of the company.

* Alteration of Article of Association

Article of Association can be altered when it has passed by ~~the~~ majority resolution of the shareholders and ratified. Changes can be

- Change of name
- Change in the amount of share capital
- Change of office etc.

Hence ADA guides the company officials and officers to work in a ~~very~~ decided way to ensure goals of the MOA.



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Ques d (d) A public company is one of the incorporate -d company, under the Companies act or 2013 or any other companies act.

- A public company can be formed by at least 7 members present.
- The upper reach of the membership is not fixed can be any numbers.
- Public company are subject to the mandatory issue of Memorandum of Association (MOA) and Article of Association (AOA).
- It can raise capital from the public by getting listed with any stock exchange & then offering shares to the public.
- Public companies are not bound to use 'limited' at the last of their name.
- The documents of public company are available in public to ensure transparency; documents are:-
 - (i) Certificate of incorporation.
 - (ii) Article of association
 - (iii) memorandum of Association
 - (iv) Prospectus - while issuing securities to general public.

Ques 1 (e) 'Managing director' are one of the directors present in the company who are the managerial organ of any company. They provide executive services to the company.



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and ensure the day-to-day operations of the company are done in the compliance with MOA & AOA and Statutory provisions, by the companies act, 2013.

Managing director is one of the Key Managerial personnel [KMP] appointed by the Board of directors [BOD].

* Duties

- (i) Ensure effective working of business operations - as vested with executive powers.
- (ii) Ensure the acts and actions of the companies are in accordance with MOA objects.
- (iii) Ensures that meetings are timely done to ensure good relations with the shareholders.

* Liabilities

- (i) Liable for any misrepresentation, misconduct or presentation of false facts.
- (ii) Can be held/charged with criminal/civil liabilities.
- (iii) Liable to act in good faith - ensuring the benefit of company.
- (iv) Act in accordance with the statutory provisions outlined in the company act, 2013.

Hence, MD works for the effective growth of the company.



Ques 1 (f) Share capital is the total stock of capital holding monetary value, which is contributed by the shareholders through subscription of shares. Share capital is owned by the shareholders of the company.

* Types of share capital

- (i) Authorised capital - It is total amount of share capital which can be issued by any company.
It puts a cap on the company shareholding.
$$\text{Authorised capital} = \text{Issued capital} + \text{unissued capital}$$
- (ii) Issued capital - It is capital issued in form of securities for the capital raising function.
- (iii) Subscribed capital - It is the capital which is subscribed by the people whom the shares are allotted.
- (iv) Called up capital - It is the capital which is called by the company, it can be whole nominal value of shares or less than that.
- (v) Paid-up capital - It is capital brought in by the shareholders, and it is called 'unpaid capital'.
- (vi) Capital reserve - It is that part of the capital which is called by the shareholders when company is winding up - to pay its



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Creditors.



Authorised Capital.
 Issued Capital.
 Subscribed capital
 called capital
 paid-up capital.

[types of share capitals]

Hence share capital ensures that company works ~~at~~ with stability without business fluctuations due to resource crunch.

Ques 1(g) Shares are the smallest unit of ownership, they are regarded as movable property under and as goods under ~~so~~ of goods act.

Shares carry ~~the~~ ^{ownership} of the company, which is divided into ~~small~~ units, can be subscribed by the shareholders.

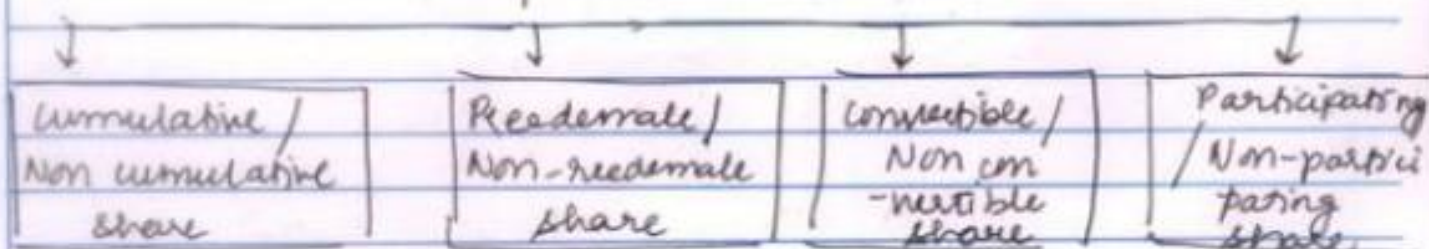
(i) Preference share

- They carry ~~prop~~ ^{value / right} in many cases -

(a) During winding up of company

(b) They ~~to~~ During dividend distribution.

- They carry fixed ~~ret~~ ^{return}.
- They do not ~~car~~ ^{carry} any 'voting right'

types of preference share(ii) equity shares

- Equity shares are those shares which are paid dividends as decided by the Board of Directors from the surplus of the company.
- They carry a risk associated with them of market fluctuations & returns are high
- They carry 'Voting rights'
- They do not get any preferential treatment during dividends or winding up but are paid at last after paying off all the creditors.
- They do not carry any fixed returns.

Ques 1 (j) Rights shareholder are the persons who have subscribed the shares of any company and have attained rights due to the subscription.

* Rights of shareholder

(1) Right to vote - Shareholder having equity shares



have voting rights at their disposal.

(ii) right to dividends - shareholders are rightfully entitled to the dividends which is generated from the profit/surplus of the company.

(iii) right to attend meetings - shareholders have right to attend the meeting conducted - both AGM & EGM to ensure that their rights are not violated.

(iv) right to sue - In case of rights being violated by the company, shareholders can sue the company for infringement of their legal rights.

(v) right to bonus shares - If in case company has made profit the shareholders can have bonus shares without any cost.

(vi) right to preference In the case of preference shareholder, preferential rights in dividends winding up of the company.

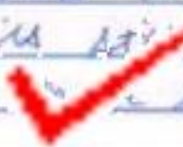
Hence, shareholders are benefitted with a lot of rights which when violated can be demanded remedies against them.



Ques 1 (h) Certificate of pre-incorporation means that any contracts made by the promoters when the company was not existing legally but in the process of formation.

During the process of formation of company promoters and others go into contract with certain parties which in the name of company which is yet not legally existing - is known as incorporation.

* effect of certificate of incorporation. -

(i) Company not legally liable - company would be not legally liable for the acts / contracts done by the promoters in their capacity as the company is still not in existence. and thus cannot be  liable.

(ii) promoters & others are personally liable the contract or agreement signed during the formation of the company make them personally liable for the act / contract done / made in the name of company.

(iii) Ratification - when the company after coming into existence ratifies the contract it becomes liable on the company and ~~to~~ promoters & other members are not further liable.



Certificate of incorporation ensures that the promoters / other members act in own personal capacity and can be held liable for the acts until the company after coming into existence ratifies that contract made.

Ques 1 (i) Debentures are the security offered to the public, which carries fixed rate of interest and fixed time period of their maturity. Debentures are risk-free security issued by the government, which acts as a risk-free investment for the debenture holders.

* Types of debentures

- (i) Convertible debentures - These debentures can be converted into equity after they have attained maturity.
- (ii) Non-convertible debentures - They do not carry the privilege to be converted into equity after the maturity.
- (iii) Redeemable debentures - They can be redeemed when mature.
- (iv) Irredeemable debentures - They cannot be redeemed when they are matured.

Hence, debentures carry less risk and fixed returns.