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- 5 Latest Board Papers
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Std. XII
(Commerce)

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HSC

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Balbharati Registration No.: 2018MH0022

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PREFACE

It is rightly said, “Practice makes a man perfect”. With this philosophy at heart, we proudly present **HSC 10 Papers with Solutions**. This comprehensive set of resources has been meticulously designed to aid students in their preparation for the final examinations. The book comprises a total of 5 Board Question Papers and 5 Model Question Papers. Each Model Question Paper offers an accurate representation of the HSC Board Exam paper, allowing students to experience the real exam format.

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We believe that this compilation will not only enhance students’ confidence but also equip them with the necessary skills to excel in their examinations.

We wish all students the very best in their academic endeavors.

Publisher

Edition: First

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SECRETARIAL PRACTICE			
Board Question Papers	Start Time	End Time	Marks obtained out of 80
Board Question Paper: July 2023			
Board Question Paper: February 2023			
Board Question Paper: July 2022			
Board Question Paper: March 2022			

PAPER PATTERN

Marks: 80

Time: 3.00 Hrs.

Q. No.	Questions	Marks per Que.	No. of Questions to Attempt	Marks without option	Marks with option
1.	From the following types of sub questions, any 4 will be asked.				
	A. Select the correct option and rewrite the sentence.	1	5	5	5
	B. Match the pairs.	1	5	5	5
	C. Given one word/pharse/term.	1	5	5	5
	D. State true or false.	1	5	5	5
	E. Find the odd one.	1	5	5	5
	F. Complete the sentences.	1	5	5	5
	G. Select the correct option from the bracket.	1	5	5	5
	H. Answer in one sentence.	1	5	5	5
	I. Correct the underlined word and rewrite the following sentences.	1	5	5	5
	J. Arrange in proper order.	1	5	5	5
2.	Explain the following terms/concepts.	2	Any (4) Out of (6)	8	12
3.	Study the following case/situation and express your opinion.	3	Any (2) Out of (3)	6	9
4.	Distinguish between.	4	Any (3) Out of (4)	12	16
5.	Answer in brief.	4	Any (2) Out of (3)	8	12
6.	Justify the following statements.	4	Any (2) Out of (4)	8	16
7.	Attempt the following. (Letter writing)	5	Any (2) Out of (3)	10	15
8.	Answer the following. (Long Answer)	8	Any (1) Out of (2)	8	16
	Total Marks			80	116

Question Wise Distribution of Marks

Sr.No.	Questions	Marks	Marks With Option	Percentage
1	Objective Type	20	20	25%
2	Short Answer	52	80	65%
3	Long Answer	08	16	10%
	Total	80	116	100%



Sr. No.	Titles	Marks	Marks with option
1.	Introduction to Corporate Finance	17	25
2.	Sources of Corporate Finance		
3.	Issue of Shares	24	35
4.	Issue of Debentures		
5.	Deposits		
6.	Correspondence with Members	13	18
7.	Correspondence with Debenture holders		
8.	Correspondence with Depositors		
9.	Depository System	07	11
10.	Dividend and Interest	09	13
11.	Financial Market	10	14
12.	Stock Exchange		
	Total	80	116

SUMMARY NOTES

01

Introduction to Corporate Finance

- **Corporate Finance**

Corporate finance involves raising and using funds by a corporation, focusing on financing activities, capital structuring, and investment decisions. According to Henry Hoagland, it primarily deals with acquiring and using capital.

Key decisions in corporate finance include:

1. **Financing Decision:**

- i. Deciding the source of finance (equity, debt, bank loans, public deposits, debentures).
- ii. Ensuring the firm is well-capitalized with the right mix of equity and debt.

2. **Investment Decision:**

- i. Using received funds systematically to maximize returns.
- ii. Knowing the cost of capital and ensuring returns exceed this cost.
- iii. Finding successful investments, also known as capital budgeting.

- Corporate finance involves generating and using funds efficiently, with financial organizations and banks playing a crucial role.

1. **Aspects of Corporate Finance:**

- i. Financial planning
- ii. Study of capital and money markets
- iii. Capital formation and foreign capital

2. **Functions of a Finance Manager:**

- i. Ensure adequate finance for the firm.
- ii. Source funds at minimal cost.
- iii. Invest funds effectively.
- iv. Maximize returns for owners.

- **Importance of Corporate Finance**

In a business, financial activities are crucial. The importance of corporate finance includes:



SMART CODE

4H

3P

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R

1. **Helps in Decision Making:** Funds availability influences major decisions, requires finance for all functions, considers profitability, selects the best alternative, and undertakes financially viable projects.
2. **Helps in Raising Capital for a Project:** Finance is needed to start new ventures through shares, debentures, bonds, or loans.
3. **Helps in Research and Development:** Essential for growth and project execution, requiring continuous financial support for research, product improvement, surveys, and market analysis.
4. **Helps in Smooth Running of Business:** Ensures timely salaries, loan payments, raw material purchase, sales promotion, and product launches.
5. **Promotes Expansion and Diversification:** Funds are necessary for modern machines and techniques.
6. **Payment of Dividend and Interest:** Required for paying shareholders and creditors.
7. **Payment of Taxes and Fees:** Needed for taxes and fees like income tax, GST, and Registrar of Companies fees.
8. **Bringing Coordination Between Various Activities:** Ensures smooth running of all departments through effective financial management.
9. **Managing Risk:** Financial aid is needed to manage risks like sales drops, natural calamities, and strikes.
10. **Replace Old Assets:** Finance is required to replace outdated assets with new ones.



- **Different steps an entrepreneur has to take before starting a business?**

When an entrepreneur conceives a business idea, they first investigate the project's commercial viability. Once satisfied with its feasibility, the following steps are taken:

1. **Deciding Capital Requirement:** The entrepreneur determines the amount of capital needed to start and run the business, ensuring careful consideration.
2. **Drafting Financial Plans:** The entrepreneur assesses financial requirements and arranges sources of capital, considering both fixed and working capital needs for present and future business requirements.

- **Concept of Fixed Capital**

1. **Meaning of Fixed Capital:** Fixed capital is used to purchase long-term assets like land, buildings, and machinery, which are not meant for resale.
2. **Nature of Fixed Capital:** It remains in the business long-term, nearly permanently.
3. **Time of Requirement:** Needed at the establishment of a new company or for the expansion and development of existing ones.
4. **Steps in Estimation:** Promoters plan and estimate costs by listing required assets and calculating their acquisition costs.
5. **Importance of Estimation:** Critical due to modern industrial needs for heavy and automated machinery.
6. **Sources of Funds:** Obtained from the capital market through shares, debentures, bonds, or long-term loans.

- **Fixed capital**

Fixed capital is used to purchase long-term assets for a business. Factors affecting fixed capital requirements include:

1. **Nature of Business:** Manufacturing and public utility companies need more fixed capital than trading businesses.
2. **Size of Business:** Large-scale operations require higher fixed capital due to reliance on automated machinery.
3. **Scope of Business:** Businesses involved in large-scale production or distribution need more fixed capital.
4. **Extent of Lease or Rent:** Leasing or renting assets reduces fixed capital needs.
5. **Arrangement of Sub-Contract:** Sub-contracting production processes reduces the need for fixed assets.
6. **Acquisition of Old Assets:** Buying old equipment at low prices reduces fixed capital investment.
7. **Acquisition of Assets at Concessional Rates:** Government incentives like concessional rates for land and buildings lower fixed capital needs.
8. **International Conditions:** Anticipating events like war can lead to increased fixed capital investment.
9. **Trend in Economy:** Positive economic prospects lead to increased investment in fixed assets for business expansion.
10. **Population Trend:** High population growth increases demand, prompting businesses to invest more in fixed assets.
11. **Consumer Preference:** High demand for certain goods and services requires more fixed capital.
12. **Competitive Factor:** Competition can drive businesses to invest in automation and other fixed assets.

- **Working Capital**

1. **Meaning of Working Capital:** Working capital is the capital needed for day-to-day business activities, ensuring smooth functioning after estimating fixed capital requirements.
2. **Assets Under Working Capital:** Working capital includes investments in inventories of raw materials and finished goods, financing receivables and payables, and covering operating expenses.
3. **Need of Working Capital:** It is necessary for maintaining raw material and finished goods inventory, funding credit sales until collections are made, paying overheads, and having cash for unexpected expenses.
4. **Net Working Capital:** Defined as the excess of current assets over current liabilities, referred to by some as "circulating capital."
5. **Gross Working Capital:** Viewed by others as equivalent to the sum of current assets, encompassing all current assets of the company.

- **The Factors Determining Working Capital Requirement**

Measuring working capital adequacy lacks precise standards, and requirements vary based on several factors:

1. **Nature of Business:** Essential product manufacturers and public utility companies need less working capital due to steady cash inflows, while luxury product businesses and trading firms require more due to infrequent sales and the need to maintain large inventories.
2. **Size of Business:** Larger firms need higher working capital.



3. **Volume of Sales:** There is a direct relationship; higher sales volumes increase working capital needs.
 4. **Production Cycle:** A longer production cycle necessitates more working capital, while a shorter cycle requires less.
 5. **Business Cycle:** Economic booms increase working capital needs due to higher sales, while recessions decrease them.
 6. **Terms of Purchases and Sales:** Poor credit terms for purchases and liberal credit for sales increase working capital needs; favorable purchase terms reduce them.
 7. **Credit Control:** Effective credit control improves cash flow, reducing working capital requirements, whereas liberal credit policies can increase them.
 8. **Growth and Expansion:** Growing firms need more working capital to support operations.
 9. **Management Ability:** Proper coordination between production and distribution can lower working capital needs; excessive inventory increases them.
 10. **External Factors:** Access to funds from financial institutions can reduce the need for working capital.
- **Capital Structure**
 1. **Capital Structure:** Refers to the mix of various sources of funds in desired proportions, determining the ratio of different capital types.
 2. **Composition:** It consists of owned funds (share capital, free reserves, surplus) and borrowed funds (debentures, bank loans, long-term loans).
 3. **Definitions:** R. H. Wessel defines it as long-term sources of funds in a business, while John Hampton describes it as the relationship between debt and equity in financing assets.
 - **Components of Capital Structure:**
 1. **Equity Share Capital:** The primary source of financing; equity shareholders receive dividends after preference shareholders and bear ownership risks.
 2. **Preference Share Capital:** Shares with preferential rights for dividend payments and capital repayment during liquidation, usually at a fixed rate.
 3. **Retained Earnings:** Profits reinvested in the company, serving as an internal financing source.
 4. **Borrowed Capital:**
 - i. **Debentures:** Acknowledgments of loans with agreed interest payments.
 - ii. **Term Loans:** Loans from banks and financial institutions with fixed interest rates.

02

Sources of Corporate Finance

- **Owned Capital**
Owned capital consists of funds raised from shareholders through share purchases and retained earnings. Retained earnings, or profit reinvestment, is an internal finance source but not initial capital. Equity share capital serves as permanent capital, available when needed for new or additional financing. Promoters determine the maximum share capital required, known as authorised capital, which is specified in the Memorandum of Association.
- **MEANING AND DEFINITION OF SHARE**
 1. **Section 2 (84) of the Companies Act, 2013:** ‘Share means a share in the share capital of a company and includes stock’.
 2. Share **facilitates the public to subscribe to the capital of a company in smaller amount.**
 3. A person who purchases shares of the company is known as a shareholder or a member of that company.
 4. A person can purchase any number of shares as he wishes.
- **Features of Shares**



SMART CODE

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1. **Income:** Shareholders earn income from the company's net profit in the form of dividends.
2. **Meaning:** A share is the smallest unit of a company's total share capital.
3. **Property of Shareholder:** A share is a movable property owned by the shareholder.
4. **Rights:** Shares confer rights such as receiving dividends, inspecting books, attending meetings, and voting.
5. **Ownership:** The shareholder is the owner of the share, indicating ownership in the company.



6. **Value of A Share:** Each share has monetary value, including face value (on the certificate), issue price (sale price), and market value (determined by supply and demand).
7. **Evidence of Title:** A share certificate serves as proof of ownership, issued under the company's common seal.
8. **Distinctive Number:** Each share has a unique identification number unless dematerialised.
9. **Kinds of Shares:** Companies can issue equity shares and preference shares, varying in rights and risks.
10. **Transferability:** Shares in a public limited company can be freely transferred according to the Articles of Association.

- **Equity Shares:**

Equity shares, or ordinary shares, are a fundamental source of business financing, representing ownership and risk. Shareholders are the residual claimants on income and assets, receiving dividends after all other investors are paid. They participate in company management by voting at general meetings and electing directors.

Features:

1. **Permanent Capital:** Irredeemable shares that are non-refundable except during company winding up or buyback.
2. **Fluctuating Dividend:** No fixed dividend rate; depends on company profits. Dividends can be postponed if profits are insufficient.
3. **Rights:**
 - i. **Voting Rights:** Elect directors and alter company documents.
 - ii. **Profit Sharing:** Entitled to dividends based on profits.
 - iii. **Inspection Rights:** Access to company books.
 - iv. **Transfer Rights:** Shares can be transferred as per company rules.
4. **No Preferential Right:** Receive dividends after preference shareholders; paid last during winding up.
5. **Controlling Power:** Hold exclusive voting rights, influencing company management.
6. **Risk:** Bear maximum financial risk, serving as "shock absorbers" during crises.
7. **Residual Claimant:** Last to receive earnings after expenses and taxes.
8. **No Charge on Assets:** Equity shares do not secure any company assets.
9. **Bonus Issue:** Free shares issued from accumulated profits, enhancing shareholder investment.
10. **Rights Issue:** Existing shareholders have priority in purchasing newly offered shares during capital raises.
11. **Face Value:** Generally low, around ₹10 or ₹1 per share.
12. **Market Value:** Fluctuates with demand and supply, influenced by company profits and dividends.
13. **Capital Appreciation:** Increases in market value reflect company profitability and reputation.

- **Equity Shares:**

Definition and Types

Equity shares, defined as shares that are not preference shares, represent ownership in a company and carry the ultimate risk. They are a fundamental source of business financing and are affected by the company's performance.

Types of Equity Shares:

1. **Equity Shares with Normal Voting Right:** Voting rights are proportional to shareholdings.
2. **Equity Shares with Differential Voting Right:** These may have varying rights regarding dividends and voting, including limited or no voting rights, and potentially higher dividends.

- **Preference Shares:**

Preference shares provide certain preferential rights distinct from equity shares. While preference shareholders are co-owners, they do not control the company. These shares appeal to cautious investors seeking safety and steady returns.

Main Features:

1. **Dividend Preference:** Preference shareholders receive dividends before equity shareholders from the company's net profit.
2. **Capital Repayment Preference:** They have priority over equity shareholders for capital return during liquidation, reducing capital loss risks.
3. **Fixed Return:** Preference shares offer a fixed dividend rate, predetermined at issuance. Dividends are paid only from profits, and shareholders cannot claim unpaid dividends during financial crises.
4. **Temporary Capital:** Preference shares are redeemable after a certain period and do not provide permanent capital, often raised later for additional funding.



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SECRETARIAL PRACTICE (52)

BOARD QUESTION PAPER - 2024

Time : 3 Hrs.

2 Pages

Max. Marks : 80

- Note:**
- (1) All questions are compulsory.
 - (2) Figures to the right indicate full marks for the questions.
 - (3) Figures to the left indicate question numbers.
 - (4) Answer to every question must be started on a new page.

Q.1. (A) Select the correct answer from the options given below and rewrite the sentences:

(5)[20 Marks]

1. Finance is the management of _____ affairs of the company.
(a) monetary (b) marketing (c) production
2. Company can accept deposits from public, minimum for _____ months.
(a) nine (b) six (c) twelve
3. A company can issue _____ convertible debentures.
(a) only partly (b) only fully (c) partly or fully
4. Debenture Capital is a _____ capital of a company.
(a) borrowed (b) owned (c) permanent
5. _____ is a return paid to creditors by the company.
(a) Dividend (b) Interest (c) Rent

(B) Match the pairs:

(5)

Group 'A'		Group 'B'	
(a)	Capital budgeting	(1)	Unsecured Debentures
(b)	Regret Letter	(2)	1956
(c)	Board of Directors	(3)	Investment decision
(d)	Depository Act	(4)	Allotment of shares
(e)	Final Dividend	(5)	Decided and declared by Board of Directors
		(6)	Financing decision
		(7)	Decided by Board and declared by members
		(8)	1996
		(9)	Power to issue debentures
		(10)	Non-Allotment of shares

(C) Find the odd one:

(5)

1. Debenture, Public Deposit, Retained earnings
2. Bonus shares, Rights shares, Employees Stock Option Scheme (ESOS)
3. Private company, Non-Eligible public company, Government company
4. Depository, D.P., RBI
5. Private Placement, Commercial Paper, Further Public Offer (FPO)



(D) Correct the underlined words and rewrite the following sentences: (5)

1. Owned capital is temporary capital.
2. FPO refers to offering of shares to the public for the first time.
3. Dividend is recommended by shareholders.
4. Deposit is a long term source of capital.
5. A stock market is an important constituent of money market.

Q.2. Explain the following terms / concepts (Any Four): [8 Marks]

- | | |
|---------------------|----------------------|
| 1. Fixed capital | 2. Borrowed capital |
| 3. Bonus shares | 4. Depository system |
| 5. Secondary market | 6. Stock Exchange |

Q.3. Study the following cases / situation and express your opinion (Any Two): [6 Marks]

1. Violet Ltd. company plans to raise ₹ 10 crores by issuing debentures. The Board of Directors have some queries. Please advise them on the following :
 - a. Can they issue convertible debentures?
 - b. As the company is offering debentures to its members, can such debentures have normal voting rights?
 - c. Capital raised by issuing debentures will be Owned Capital or Borrowed Capital?
2. Mr. Satish holds 100 shares of Raj Company Ltd. in physical mode and wishes to convert the same into electronic mode:
 - a. Mr. Satish holds a Savings Bank Account with SBI. Can he deposit his shares in this account for demat?
 - b. What type of account is needed for the same?
 - c. Is it the RBI which will be the custodian of shares of Mr. Satish after demating?
3. GOLD Co. Ltd. declares a dividend of ₹ 10/- per share for F.Y. 2019-2020:
 - a. Is company under default, if dividend was not paid within 30 days of its declaration?
 - b. Is company right in transferring the unpaid dividend to its Debenture Reserve Account?
 - c. Does the company have to transfer the amount of unpaid dividend to IEPF after 30 days?

Q.4. Distinguish between the following (Any Three): [12 Marks]

1. Fixed capital and Working capital
2. Rights shares and Bonus shares
3. Dematerialization and Rematerialization
4. Dividend and Interest

Q.5. Answer in brief (Any Two): [8 Marks]

1. Explain Employee Stock Option Scheme.
2. State any four terms and conditions regarding acceptance of deposits.
3. Explain the features of Interim Dividend.

Q.6. Justify the following statements (Any Two): [8 Marks]

1. Bond holder is creditor of the company.
2. A company has to create charge on its assets for issuing secured debentures.
3. Capital market is useful for corporate sector.
4. Stock exchange works for the growth of the Indian Economy.

Q.7. Attempt the following (Any Two): [10 Marks]

1. Write a letter to the member for the payment of dividend through Dividend Warrant.
2. Write a letter to the debenture holder regarding payment of interest electronically.
3. Write a letter to depositor regarding renewal of his deposit.

Q.8. Answer the following questions (Any One): [8 Marks]

1. What are Preference Shares? Explain its types in detail.
2. Explain the provisions of Companies Act, 2013 for issue of debentures.

BOARD ANSWER PAPER: FEBRUARY 2024

SECRETARIAL PRACTICE

Note: Answer to every question must be written on a new page.

Q.1. (A)

1. Finance is the management of monetary affairs of the company. [1 Mark]
2. Company can accept deposits from public, minimum for six months. [1 Mark]
3. A company can issue partly or fully convertible debentures. [1 Mark]
4. Debenture capital is a borrowed capital of a company. [1 Mark]
5. Interest is a return paid to creditors by the company. [1 Mark]

(B)

	Group 'A'		Group 'B'	
(a)	Capital budgeting	(1)	Investment decision	[1 Mark]
(b)	Regret Letter	(2)	Non- Allotment of shares	[1 Mark]
(c)	Board of Director	(3)	Power to issue debentures	[1 Mark]
(d)	Depository Act	(4)	1996	[1 Mark]
(e)	Final Dividend	(5)	Decided by Board and declared by members	[1 Mark]

(C)

1. Retained earnings [1 Mark]
2. Employees Stock Option Scheme [1 Mark]
3. Government company [1 Mark]
4. RBI [1 Mark]
5. Commercial Paper [1 Mark]

(D)

1. Owned capital is a permanent capital. [1 Mark]
2. IPO refers to offering of shares to the public for the first time. [1 Mark]
3. Dividend is recommended by Board of Directors. [1 Mark]
4. Deposit is a short term source of capital. [1 Mark]
5. A stock market is an important constituent of capital market. [1 Mark]



- Q. 2.
1. Fixed capital is the capital which is used for buying fixed assets which are used for a longer period of time in the business. These assets are not meant for resale. It stays in the business for long period almost permanently. Examples of fixed capital are capital used for purchasing land and building, furniture, plant and machinery etc. **[2 Marks]**
 2. A company needs borrowed capital to supplement its owned capital. The various forms of borrowed capital are debentures, public deposits, bonds, ADR/ GDR, loans from banks and financial Institutions, trade credit etc. Memorandum authorises company to exercise borrowing powers whereas Articles of Association provides as to how and by whom these powers shall be exercised. The capital may be borrowed for short, medium or long-term requirement an interest is paid on it at a fixed rate. **[2 Marks]**
 3. Bonus shares are issued as gift to equity shareholders. These shares are issued free of cost to existing equity shareholders. These are issued out of accumulated profits. Bonus shares are issued in proportion to the shares held. This benefit is available only to the equity shareholders. **[2 Marks]**
 4. The system under which securities are held, transferred and settled in electronic form is called depository system. The depository system maintains accounts of the shareholder, enables transfer, collects dividend, bonus shares etc. on behalf of the shareholder. This system is also called as scripless trading system. **[2 Marks]**
 5. Secondary market is more commonly known as the stock market or the stock exchange. Here, the previously issued securities are bought and sold by the investors. There is no fresh issue. After IPO, when the shares are listed at the stock exchange, they can be traded in the secondary market. **[2 Marks]**
 6. Stock Exchange is a specific place where various securities are bought and sold. The securities include equity shares, preference shares, debentures, government securities and bonds, units of mutual funds etc. Stock markets act as intermediary between investors and borrowers and are regulated by SEBI. **[2 Marks]**



- Q. 3.
1.
 - i. Yes, Violet Ltd. company can issue convertible debentures. **[1 Mark]**
 - ii. No, a company cannot issue debentures with voting rights. Hence, the debentures offered to members cannot have normal voting rights. **[1 Mark]**
 - iii. Capital raised by issuing debentures will be Borrowed Capital. **[1 Mark]**

 2.
 - i. No, Mr. Satish cannot deposit his shares in his bank account for demat. **[1 Mark]**
 - ii. A demat account is required for converting physical shares into electronic holding. **[1 Mark]**
 - iii. No, RBI will not be the custodian of the shares of Mr. Satish. The depository i.e. NSDL or CDSL will be the custodian of shares of Mr. Satish after demating. **[1 Mark]**

 3.
 - i. Yes, the company is in default if dividend is not paid within 30 days of its declaration. **[1 Mark]**
 - ii. No, the company is not right in transferring the unpaid dividend to its Debenture Reserve Account. It should be transferred to Unpaid Dividend Account. **[1 Mark]**
 - iii. No. Any amount in the Unpaid Dividend Account of a company which remains unpaid/ unclaimed for a period of 7 years from the date of such a transfer shall be, transferred by the company to Investor Education and Protection Fund (IEPF). **[1 Mark]**



Page no. **44** to **71** are purposely left blank.

To see complete chapter buy **Target Notes** or **Target E-Notes**

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SECRETARIAL PRACTICE (52)

MODEL QUESTION PAPER - 1

Time : 3 Hrs.

2 Pages

Max. Marks : 80

- Note:** (i) All questions are compulsory.
(ii) Figures to the right indicate full marks for the questions.
(iii) Figures to the left indicate question numbers.
(iv) Answer to every question must be started on a new page.

Q.1. (A) Write a word or a term or a phrase which can substitute each of the following statements:

(5) [20 Marks]

1. Capital needed to acquire fixed assets which are used for longer period of time.
2. Period within which secured debentures should be redeemed.
3. Account that can be used only for repaying deposits.
4. Debentures whose details are mentioned in the Register of debenture holders.
5. Return of deposits on maturity date.

(B) Answer in one sentence:

(5)

1. What is a share?
2. Who has the authority to create charge on assets of a company?
3. Who are Deposit Trustees?
4. What is financial market?
5. When should a company file Return of Deposit?

(C) Find the odd one:

(5)

1. Debenture Capital, Equity Share Capital, Preference Share Capital
2. Secured Debentures, Convertible debentures, Irredeemable debentures
3. Appointment of Deposit Trustee, Appointment of Registrar of companies, Appointment of Credit Rating Agency
4. NSDL, CDSL, NBFC
5. Nifty, Sensex, Bull

(D) State whether the following statements are true or false:

1. Financial institutions and banks cater to the working capital requirement of business.
2. Floor price is the highest bid price under Book Building method.
3. A company cannot alter the terms of deposits after it is accepted by the company.
4. Bonus shares means capitalisation of reserve fund.
5. ISIN is a unique code given to the specific securities.



- Q.2. Explain the following terms / concepts: (Any Four)** [8 Marks]
1. Deposit Insurance
 2. Money market
 3. Rematerialisation
 4. Financing decision
 5. Jobber
 6. Dividend Mandate
- Q.3. Study the following cases / situations and express your opinion: (Any Two)** [6 Marks]
1. ABC Co. Ltd. decides to pay interim dividend.
 - i. Can it be paid out of free reserves?
 - ii. Is the Board right in declaring the same at the Board Meeting?
 - iii. Can the company distribute the same within 30 days of its declaration?
 2. Mr. R holds 100 shares of Peculiar Co. Ltd. in demat mode:
 - i. He wants to transfer one share each to his wife, daughter and son. Can he do so?
 - ii. Does he need to submit DRF or DIS if he wants to transfer his shares?
 - iii. Can he nominate his wife in his demat account?
 3. The management of 'Maharashtra State Road Transport Corporation' wants to determine the size of working capital.
 - i. Being a public utility service provider, will it need less working capital or more?
 - ii. Being a public utility service provider, will it need more fixed capital?
 - iii. Give one example of public utility service that you come across on day-to-day basis.
- Q.4. Distinguish between the following: (Any Three)** [12 Marks]
1. Rights shares and Bonus shares
 2. Dividend and Interest
 3. Money market and Capital market
 4. Owned capital and Borrowed capital
- Q.5. Attempt in brief: (Any Two)** [8 Marks]
1. Explain disadvantages of physical mode of holding securities.
 2. Define dividend and explain its features.
 3. Which are the different regulations that govern the issue of debentures by a company?
- Q.6. Justify the following statements: (Any Two)** [8 Marks]
1. A company has to create charge on its assets for issuing secured debentures.
 2. There are various factors affecting the requirement of fixed capital.
 3. Stock exchanges work for the growth of the Indian economy.
 4. A company has to hold a Board meeting before accepting deposits from the public.
- Q.7. Attempt the following: (Any Two)** [10 Marks]
1. Draft a letter of allotment to debenture holder.
 2. Write a letter to the member for the payment of dividend through Dividend Warrant.
 3. Write a letter to depositor regarding renewal of his deposit.
- Q.8. Answer the following: (Any One)** [8 Marks]
1. What are preference shares? State its features.
 2. Explain the statutory provisions for allotment of shares

Model Answer Paper - 1

SECRETARIAL PRACTICE

Note: Answer to every section must be written on a new page.

Q. 1. (A)

1. Fixed capital [1 Mark]
2. 10 years [1 Mark]
3. Deposit Repayment Reserve Account [1 Mark]
4. Registered Debentures [1 Mark]
5. Repayment of Deposit [1 Mark]

(B)

1. The total capital of company is divided into small parts and each part is called share. In other words, share is a small unit of capital of a company [1 Mark]
2. The Board of Directors has the authority to create charge on the assets of a company. [1 Mark]
3. Deposit Trustees are appointed by the company to protect the interest of the depositors in case a company defaults in repaying the depositors. [1 Mark]
4. It is a market where financial assets i.e. financial instruments are exchanged or bought and sold [1 Mark]
5. A company has to file Return of Deposit with the Registrar of Companies on or before 30th June every year. [1 Mark]

(C)

1. Debentures capital [1 Mark]
2. Irredeemable debentures [1 Mark]
3. Appointment of Registrar of Companies [1 Mark]
4. NBFC [1 Mark]
5. Bull [1 Mark]

(D)

1. True [1 Mark]
2. False [1 Mark]
3. True [1 Mark]
4. True [1 Mark]
5. True [1 Mark]



- Q. 2.
1. The deposit insurance provides security to the depositor. A company needs to take Deposit Insurance at least 30 days before issue of circular or advertisement. If the amount of deposit plus interest on it is up to ₹ 20,000, insurance is to be taken.
[2 Marks]
 2. Money market is a market wherein lending and borrowing of funds takes place for a short period of time, which varies from one day to a year. The financial instruments traded in this market can be converted into cash easily without any loss of time and value. Money market helps in fulfilling the short-term and very short-term requirements of the companies, banks, financial institutions, government agencies etc.
[2 Marks]
 3. The process of conversion of electronic holding of securities into physical certificates is called as rematerialisation. The client has to submit Remat Request Form (RRF) to the DP. The DP forwards the RRF to issuer and the depository. The issuer prints the certificates and sends them to the client and simultaneously confirms the acceptance of remat request to the depository. The depository via the DP debits account of the client with those securities.
[2 Marks]
 4. Financing decisions means decisions relating to selection of the right source of funds for a firm. The firm has multiple choices of sources of financing. The firm can choose whether it wants to raise equity capital or debt capital. Firm can even opt for bank loan, public deposits, debentures etc. to raise funds.
[2 Marks]
 5. A jobber is a dealer in stock exchange who carries on trading of securities in his own name. He buys securities as an owner and sells them at a higher price. He is a professional speculator in the stock exchange and is not permitted to deal with investors directly. The profit he makes is his income.
[2 Marks]
 6. A shareholder may wish to get dividend credited directly in the bank account. In such case, shareholder is required to send a request to the company in the prescribed form called 'Dividend Mandate'. Dividend mandate authorises the company to pay dividend directly to shareholder's bankers.
[2 Marks]



- Q. 3. 1. i. No, Interim Dividend cannot be paid out of free reserves. Interim Dividend is declared out of profits of the current accounting year.
- ii. Yes, the Board of Directors has the power to decide and declare the same at the Board Meeting.
- iii. Yes, the company should distribute the interim dividend within 30 days of its declaration.

[3 Marks]

2. i. Yes, he can transfer one share each to his wife, daughter and son.
- ii. A DRF is a Demat Request Form. The shares held by Mr. R are already in demat form. So, he has to submit DIS i.e. Delivery Instruction Slip to transfer his shares to his family.
- iii. Every depositor at any time has the right to nominate any person as nominee in the event of his/her death. So, Mr. R can nominate his wife.

[3 Marks]

3. i. Being a public utility service provider, it will have a continuous flow of cash from its customers and hence, will need less working capital.
- ii. Being a public utility service provider, it will have to invest huge amounts in fixed assets and hence, will need more fixed capital.
- iii. 'Maharashtra State Electricity Board' is an example of public utility service.

[3 Marks]





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