

CHAPTER 3	COMPANY ADMINISTRATION	Syllabus: Director (Concept and Definition), DIN, Qualification, Disqualification, Appointment, Position, Rights, Duties, Power, Resignation, Liabilities, Removal and Resignation of director, Key Managerial Personnel (Definition, Appointment and Qualifications) – Managing Director, Whole time Directors, the Companies Secretary, Chief Financial Officer, Resident Director, Independent Director, Women Director.
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Group – A

❖ **Answer the following questions**

(1 mark each)

1. Minimum number of Directors in case of a public company is _____
(a) 1
(b) 2
(c) 3
(d) 4
2. Minimum number of Directors in case of private company is _____
(a) 1
(b) 2
(c) 3
(d) 4
3. Age limit of Directors in case of public company is _____
(a) 65
(b) 70
(c) 75
(d) 80
4. Age limit of Directors in case of private company is _____
(a) 65
(b) 70
(c) 75
(d) No limit
5. Managing director will be counted as _____ while calculating maximum limit in case of private company.
a) Member
b) Employee
c) Shareholder
d) None of these
6. X Co. having control on Board of Directors of Y Co. Can we say that Y Co. is subsidiary of X Co.
a) Yes
b) No
7. In case of appointment of Directors _____ form is to be filed
a) 29
b) 32
c) 18
d) 1

8. Every company must appoint at least one director. True or False?

a) True

b) **False**

9. The power to manage a company is initially vested in whom?

a) The directors

b) The majority shareholders

c) **The members**

d) The persons who provide the most capital

10. Do the general duties apply only to persons who have been validly appointed to the office of director?

a) Yes

b) **No**

11. The general duties of a director are owed to the members.

a) True

b) **False**

12. Directors can never fetter their own discretion. True or false?

a) True

b) **False**

13. What is the maximum term of appointment of a managing director of a public Company ?

A. Two years at a time . **B. Five years at a time** . C. Ten years at a time . D. Lifelong .

14. A person cannot act as managing director of more than _____ company /companies at a time.

A. one . **B. two** . C. four. D. five.

15. A promoter is a person who _____.

A. is a director . B. is a relative of the company . C. is a wellwisher of the company . **D. takes part in the companys incorporation** .

16. The amount of minimum subscription may be learnt from the _____.

A. prospectus. B. memorandum of association. C. articles of association . D. records of general meetings

17. A director appointed by the Board to hold the office until the conclusion of next annual general meeting is known as –

a. **Additional director**

b. Alternate director

c. Nominee director

d. Director retiring by rotation

18. The minimum number of directors of the audit committee in the case of a listed company with 12 directors shall be –

- a. 2 Directors
 - b. 3 Directors**
 - c. 4 Directors
 - d. 5 Directors
19. In a listed company with 11 directors, what is the quorum for the Board meeting –
- a. 2 Directors
 - b. 3 Directors
 - c. 4 Directors**
 - d. 5 Directors
20. A person who is Company Secretary and director of a company is –
- a. Employee director
 - b. Non-executive director
 - c. Executive director**
 - d. Independent director

Group – B

❖ Answer the following questions

(2 marks each)

21. In a number of situations, the power to manage the company can revert from the directors back to the members. Which ONE of the following is NOT such a situation?

- a) Where the articles provide for a reversion of power back to the members.
- b) Where the directors are unwilling or unable to exercise their powers of management.
- c) Where the articles provide the members can direct the directors by passing an ordinary resolution.**
- d) Where statute provides that the members can interfere in management.

22. Which ONE of the following is NOT a general duty?

- a) To promote the success of the company for the benefit of its members.
- b) To obtain member approval for substantial property transactions.**
- c) To avoid conflicts of interest.
- d) To act in accordance with the company's constitution.
- e) To exercise reasonable care, skill and diligence.
- f) To exercise independent judgment.
- g) To not accept bribes from third parties.
- h) To declare an interest in proposed transactions or arrangements.

23.If the directors exercise their powers for several purposes, how will the courts determine if the proper purpose duty has been breached?

- a) If any of the purposes are improper, the duty will be breached.
- b) If the majority of purposes are improper, the duty will be breached.
- c) If the directors were aware that their exercise of the power was improper, the duty will be breached.
- d) If the dominant purpose was improper, the duty will be breached.**

24.Regarding the duty to promote the success of the company, which ONE of the following statements is true?

- a) The directors are required to give equal weight to the interests of the company, its shareholders, its employees and any other relevant interests.
- b) Where the interests of the company and its shareholders conflict, preference should be given to the interests of the company.
- c) The interests of the company are always the same as the interests of its shareholders.
- d) The duty to promote the success of the company is objective, meaning that what the directors actually believed is irrelevant.**

25.The duty to promote the success of the company for the benefit of its members requires the directors to have regard to a list of other factors. Which ONE of the following is NOT present on this list found in s 172(1)?

- a) The company's employees.
- b) The likely consequences of any decision in the long-term.
- c) The need to foster the company's business relationships with suppliers, customers and others.
- d) The company's creditors.**
- e) The impact of the company's operation on the community and the environment
- f) The need to act fairly as between members of the company

26. Which ONE of the following most accurately describes the duty to exercise reasonable care, skill and diligence?

- a) The duty is entirely objective.
- b) The subjective element of the duty applies to all directors.
- c) The objective element applies to all directors, whereas the subjective element only applies to directors who have some special skill or ability.
- d) The duty is entirely subjective.
- e) The subjective element of the duty serves to lower the standard expected of the director.

27. Mike is a director of Bluegg plc. While acting for the company, he becomes aware of a business opportunity that the company is unable to exploit. He takes advantage of this opportunity himself and makes a considerable profit. Can Mike keep the profit made?

- a) Yes, providing that the articles allow the directors to authorize the transaction, and they do so prior to Mike entering into it.
- b) No. Directors are never allowed to keep profits made from such transactions.
- c) Yes, providing that the other directors gave prior authorization to Mike entering into the transaction.
- d) Yes, providing that Mike obtains the consent of the company in general meeting.

28. Tom is a director of TME Enterprises plc. His wife, Helen, purchases from the company a building costing Rs.2, 50, 000. Prior to entering into the transaction, Tom informs the directors of the transaction who, in line with the articles, authorize the purchase. Helen sells the building on for a substantial profit. Is Helen liable to account for this profit?

- a) Yes
- b) No

ANSWER KEY

Q.No.	1	2	3	4	5	6	7	8	9	10
Answer	C	B	A	D	A	A	A	B	C	B
Q.No.	11	12	13	14	15	16	17	18	19	20
Answer	B	B	B	B	D	A	A	B	C	C
Q.No.	21	22	23	24	25	26	27	28	29	30
Answer	C	B	D	B	D	C	A	A		