

6. Correspondence with members

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

1. Directors are the

- a) paid employee of the company
- b) representatives of the share holders**
- c) creditors of the company

2. Dividend is to be paid to the shareholders within days from the date of declaration.

- a) 30**
- b) 40
- c) 20

3. Registered shareholders receive dividend through warrant.

- a) share
- b) debenture
- c) dividend**

4. Shares issued free of cost to the shareholders are known as shares.

- a) preference
- b) equity
- c) bonus**

5. Share Certificate should be ready for delivery by the company within months after the allotment of shares.

- a) 3
- b) 5
- c) 2**

6. Secretarial correspondence with members should be

- a) lengthy
- b) shortcut
- c) prompt and precise**

7. Dividend is recommended by

- a) Board of Directors**

- b) shareholders
- c) Depositors

8. Dividend is paid out of of the company.

- a) Capital
- b) Building Fund
- c) **Profit**

9. is issued by the company to its registered shareholders after the declaration of dividend at the Annual General Meeting of the company.

- a) **Dividend Warrant**
- b) Interest Warrant
- c) Share Warrant

B) Match the pairs.

Group A'	Group 'B
a. Dividend Warrant	1. Instrument for payment of Interest
b. Return on Shares	2. Capitalisation of Building Fund
c. Bonus Shares	3. Electronic Clearing Service
d. ECS	4. Capitalisation of Reserve Fund
e. NEFT	5. National Electronic Fund Transfer
	6. Dividend
	7. Electronic Co-operative Society
	8. National Electronic Fixed Transfer
	9. Instrument for Payment of Dividend
	10. Interest

Ans:

Group A'	Group 'B
a. Dividend Warrant	9. Instrument for Payment of Dividend
b. Return on Shares	6. Dividend
c. Bonus Shares	4. Capitalisation of Reserve Fund
d. ECS	3. Electronic Clearing Service
e. NEFT	5. National Electronic Fund Transfer

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

1. Shares given free of cost to the existing equity shareholders.

Ans: Bonus shares

2. Instrument for payment of dividend.

Ans: Dividend warrant

3. The shareholders to whom the bonus shares are issued..

Ans: Equity shareholders

4. The authority which recommends the rate of dividend.

Ans: Board of Directors

5. An officer who comes into contact with all the members of the company through correspondence.

Ans: Company secretary

6. A special kind of cheque issued by a company on its banker to pay certain sum of money as dividend to its members.

Ans: Dividend warrant

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

1. Bonus shares are issued to existing equity shareholders.

Ans: True

2. Building fund is used for issue of bonus shares..

Ans: False

3. Bonus shares means capitalisation of reserve fund.

Ans: True

4. Registered shareholder gets dividend through dividend coupons.

Ans: False

5. Dividend is the portion of the profits of the company which is allotted to the holders of the debentures of the company.

Ans: False

6. Every company must issue or despatch a share certificate to the allottee within three months after allotment of shares .

Ans: False

7. A complaint letter should not be replied promptly.

Ans: False

E) Find the odd one.

1. Secrecy, Dividend, Interest.

Ans: Secrecy

2. Bonus Letter, Dividend Letter, Board of Directors

Ans: Board of Directors

3. Dividend Warrant, Interest Warrant, Demat

Ans: Demat

4. Secretary, Board of Directors, Dividend, Lucid Language

Ans: Lucid Language

F) Complete the sentences.

1. Dividend is recommended by **Board of Directors** .

2. A company capitalises its Reserve Fund for issue of **Bonus** shares.

3. Payment of dividend must be made within **30**days of its declaration.

4. Dividend is approved by the **Shareholders** in the Annual General Meeting.

5. The **secretary** has to communicate the decisions of the management to the members by conducting correspondence.

G) Select the correct option from the bracket.

Group 'A'	Group 'B'
a) Return on share	1. Dividend
b) Capitalisation of Reserve Fund	2. Bonus Shares
c) Correspondence	3. Written Communication
d) ECS	4. Payment of Dividend Electronically

Q. 1 H) Answer in one sentence.

(1) What is dividend warrant ?

Ans. A dividend warrant is a cheque sent by a company to a shareholder for payment of dividend to the registered address of the shareholder.

(2) What is capitalisation of reserves ?

Ans. Capitalisation of reserves is to capitalise profits of the company and to provide additional (bonus) shares to the existing equity shareholders without any additional cost.

(3) What is Dividend ?

Ans. Dividend is the portion or part of the profits of the company which is distributed to the equity shareholders of the company.

(4) Who recommends the rate of dividend ?

Ans. Board of Directors recommends rate of dividend.

(5) Which type of shareholders enjoy the benefit of Bonus Shares ?

Ans. Existing equity shareholders of the company enjoy the benefits of Bonus Shares.

(6) What is meant by payment of dividend electronically?

Ans. A company can use online payment facility to make payment of dividend to their shareholders i.e. electronically through ECS, NEFT, etc. It is known as payment of dividend electronically.

I) Correct the underlined words and rewrite the following sentences.

(1) Dividend is recommended by shareholders.

Ans. Dividend is recommended by Board of directors.

(2) The person who purchases shares of the company is called Depositor.

Ans. The person who purchases shares of the company is called Shareholder.

(3) Bonus shares are issued as a free gift to the preference shareholders.

Ans. Bonus shares are issued as a free gift to the equity shareholders.

(4) Payment of dividend must be made within 21 days of its declaration.

Ans. Payment of dividend must be made within 30 days of its declaration.

(5) A company must issue the Share Certificate within three months of allotment of shares.

Ans. A company must issue the Share Certificate within two months of allotment of shares.

J) Arrange in proper order.

1. a) Allotment of shares

b) Application for shares

c) Share certificate

Ans:

(b) Application for shares

(a) Allotment of shares

(c) Share certificate

2. a) Member

b) Applicant

c) Bonus shares

Ans: (b) Applicant

(a) Member

(c) Bonus shares

Q.2 Explain the following terms/concepts.

(1) Capitalisation of Reserve.

Ans. (1) The process of issuing the bonus shares out of company's profits or reserves, is known as "Capitalisation of Profits or Reserves.

(2) It is a reward to shareholders, distributed in proportion to the number of shares each owns. The process has no impact on a corporation book value.

(2) Bonus shares.

Ans. (1) Bonus issues refers to the fully paid up shares given to its existing equity shareholders without any cost, based upon the number of shares they are own. It is given at free of cost.

(2) For this purpose a certain proportion is decided. For instance, if a person holds 100 shares and company declares 1:2 bonus issues, then for every 2 shares held, he gets 1 share for free of cost.

(3) Dividend Warrant.

Ans. (1) A dividend warrant is a kind of document that reflects whether a shareholder is entitled for a dividend or not.

(2) It is an order of payment in which the dividend is paid. A company uses the dividend warrant to pay dividend in the form of cash back.

Q. 3 Answer in brief.

(1) Which precautions are to be taken by the Secretary while corresponding with members ?

Ans: Followings are the precautions to be taken by the secretary while corresponding with members:

The Company Secretary has to correspond with Members on various occasions. While writing various letters, the Secretary should give due respect to the Members, provide complete and correct information. Thus, writing letters to the Members is a challenging task and it requires skills, knowledge and techniques.

1. Correct Information: The Secretary should always provide correct, up-to date and factual information to the Members. Due care should be taken while giving facts and figures

2. Lucid Language: The Secretary must use simple words, simple sentences and adopt convincing style while writing letters to the Members. Technical words, long sentences should be avoided in the letter. It should be easy to understand.

3. Prompt Response: The Secretary must be prompt in sending replies to the letters received from the Members. Any questions or queries raised by the members must be promptly replied by the Secretary. Complaint letters should be promptly attended to without any delay.

4. Secrecy: The Secretary should not disclose any confidential information of the company to the Members. The Secretary should tactfully answer some letters without giving any secret information of the company.

5. Politeness (Courtesy): A courteous letter shows sympathy, respect and mutual understanding. Politeness means use of courteous language. A complaint letter should be replied politely. Rude language should be strictly avoided while corresponding with Members.

6. Legal matters : The Secretary should compulsorily follow relevant provisions of the Companies Act, 2013 with latest amendments and other relevant laws while corresponding with Members. While drafting these letters, if necessary Secretary should consult with legal advisor on certain matters.

7. Consideration : The writer should due the importance and consideration to the reader and consider the problems of the members. While sending negative replies, he should draft these letters more carefully, so that Members should not be hurt. Secretary should make the member feel that the management honestly regrets refusal.

8. Image of the Company: The Secretary should try to project good image of the company in every situation. While drafting the letters, Secretary has to try his best to remove their doubts, queries and difficulties in a polite and courteous manner.

(2) What are the circumstances under which Secretary undertakes correspondence with members ?

Ans: The following are the few circumstances under which the Secretary enters into correspondence with the members of the company

1. Letter for issue of Share Certificate

2. Letter for Payment of Dividend through:

a) Dividend Warrant

b) Electronic Payment of Dividend

3. Letter for issue of Bonus Shares

4. Reply letter to the query of the member on low rate of dividend.

Q.4 Justify the following statements.

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

Ans: Justification: The company secretary should take certain precautions while corresponding with members. They are as follows:

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

(b) Correct Information: The letter acts as a representative of the organization. Thus, secretary should always provide all the correct information in concise or compact manner.

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

(d) Lucid Language: A While corresponding with members, secretary must use simple and lucid language. It should be easy to understand.

(e) Accuracy: In correspondence with members "accuracy" or perfectness is very much important. The Secretary must provide accurate information. Thus, the

company secretary should take certain precautions while corresponding with members.

2. There are certain circumstances when a Secretary has to correspond with members.

Ans: Justification:

There are circumstances under which a secretary has to enter into correspondence with members. They are as follows:

(a) Letter for issue of share certificate

(b) Letter for Payment of Dividend through:

- Dividend warrant
- Electronic Payment of Dividend Bonus Shares.

(c) Letter for issue of

(d) Reply letter to the query of the member on low rate of dividend. Thus, there are certain circumstances when a secretary has to correspond with members.

Q.5 Attempt the following:

1) Write a letter to the shareholder regarding issue of bonus shares.

Ans:

YASH INDUSTRIES LIMITED

Registered office: 102, New MIDC, Usha Tower, Shahu Chowk
Mumbai – 400 031,
CIN: L40407 MH 20050PLC710007

Website : www.yashindustrieslimited.com

E-mail: yash30@gmail.com

Date : 16th Octobar, 2019

Tel.no. 022-23252323

Fax no. 022-23600445

Ref no. Y / MR-B /5/19-20

Ms. Yukta Shroof
715, Narayan peth
Laxmi Road,
Pune – 400 028,

Sub: Issue of Bonus Shares

Dear Madam,

I am directed by the Board of Directors to inform you that in accordance with the resolution passed in the Extra-ordinary General Meeting of the company held on 14th October, 2019 Shareholders have unanimously approved the recommendation of Board of Directors to issue Bonus Shares. Bonus Shares are issued in the ratio of 1:1, i.e. one additional equity share for every equity share held as on record date 13th October, 2019.

The Details of issue of Bonus Shares are as follows:

1	2	3	4	5
No. of Shares held on record date	No. of Bonus Shares Issued/Allotted	D.P.ID No.	Client ID No.	Date of Credit to Demat A/c
		Credit to Demat Account no.		
25	25	IN 300100	10116061	31-10-2019

The Company has complied with the provisions for the issue of Bonus Shares. The Bonus Shares issued will rank pari passu with the existing equity shares.

Thanking you,

Your faithfully,
For Yash company Ltd.

Sign
(MR. S. R. Naik)
Company secretary

2) Write a letter to the member for the issue of Share Certificate.

Ans:

COMFORT MATORS LTD.
Registered office:A/30, Aurora Towers, M. G. Road, Camp,

Pune – 400 013 .
CIN: L10338MH2008PLC246078.

Phone no. (022)-2498 2549
Fax no. (022)-2498 7868
Ref. No. C/MR-SC/30/19-20

Website : www.comfortmotorsltd.com

Email : comfort31@gmail.com

Date: 12th July ,2019

Mr. jayant Modi
Abhiman Apartment
30, L. B. Road,
Pune– 411 001.

Sub: Issue of Share Certificate

Dear Sir,

This is to inform you that as per your Request Application No. 50, I am hereby authorised to issue you a Share Certificate. The said Share Certificate will be delivered to you within 15 days from the date of this letter by registered post to your registered address as mentioned in the Register of Members.

Details of issue of Share Certificate are as follows:

1	2	3		4
Folio No.	Share Certificate Numbers	Distinctive Numbers		Total Number of Shares
		From	To	
1006	9630	301	400	100

It shall always be our endeavour to provide best of our services to you at all time.
Thanking you

Your faithfully,
For Comfort Motors Ltd.

Sign
Mr. Anand Swami
Company secretary

3) Write a letter to the member for the payment of dividend through Dividend Warriant

Ans:

ANMOL STEEL INDUSTRIES LIMITED
Regestered office : 30, Anmol Niwas, J. M. Road, Nariman point,
Mumbai – 400 026.
CIN: L30408 MH 2003 2003 PLC110845

Tel no. (022)- 2382 4818.
Fax no. (022)- 2382 6789.
Ref no. A/MR-D/7/19-20

Website: www.shahnaharlimited.com
Email: Snltd@mtnl.net.in
Date: 15th July, 2019

Mrs. Jyoti Surti
12, Laxmi NIwas,
Amrapali Marg, bandra,
Mumbai-400 028 .

Sub : _Payment of Dividend on Equity Shares
(Equity Shares of ₹ 10 each at par)

Dear Madam.

II am instructed by the Board of Directors to convey to you that in the 31" Annual General Meeting held on 20th April, 2019, Final Dividend @ 2,5 per equity share of 10/- each has been approved by the members for the year ending 31" March, 2019,

Your company has complied with all the statutory provisions (Sec. 123 of the Companies Act. 2013) relating to declaration of dividend.

Details of dividend payable to you are as follows:

1	2	3	4	5	6	7
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Register Folio No.	No. of Shares held	Distinctive Nos.		Dividend Warrant No.	Gross Dividend	Income Tax Deducted (TDS)	Net Dividend
		From	To				
A-30	100	301	400	B-9931	₹ 250/-	NIL	₹ 250/-

The 'Dividend Warrant' is attached herewith. Please detach the 'Dividend Warrant' along the perforated line.

Thanking you,

Your faithfully,
For Anmol Steel Industries Limited.

Sign
secretary

4) Write a letter to the member for the payment of Interim Dividend electronically:

Ans:

GURUSAI AUTO LIMITED

Registered Office: 31, Tulsi Complax, ,
Lodhi Road, Camp, Pune - 411 001.
CIN: L40103 MH 1999 PLC300477

Tel. No. 020-24032844

Fax No. 020-24356101

Ref. No. S/MR-D/12/19-20

Website : www.gurusailimited.com

E-mail: sai97@gmail.com

Date : 11th January, 2019

Mr. Jayant Modi
15, Sagar Apartment,
Van Vihar Road,
Pune 411 030.

Sub. : Payment of Interim Dividend through Electronic Clearing Service (ECS), Direct Credit / NEFT

Dear Sir,

We are pleased to inform you that the Board of Directors of Gurusai Auto Limited in its meeting held on Thursday, 28th May 2019 has declared Interim Dividend @ Re. 1/- (i.e. 10%) per equity share of face value of Rs. 10/- each.

As per the instructions given by you (either in person or through Depository Participant), we have remitted the amount of aforesaid Interim Dividend to your Banker for crediting your Bank Account, i.e. Dividend will be payable by electronic transfer. Your company has complied with all the provisions relating to declaration and payment of dividend

Details of Dividend payable to you are given below

1	2	3	4	5	6
No. of Equity Shares held on Record Date (May 31 st , 2019)	Dividend Per Share (₹)	Dividend Amount (₹)	DPID and Client ID No.	Date of Remittance	Bank A/c. (BOB)
500	1	500	12033200 07479005	3 rd June, 2019	5656000 22105 Bank of Baroda

Please verify the credit of amount in your Pass Book / Statement of accounts.

As per the provisions of the Income Tax Act, 1961 no tax is required to be deducted at source in respect of Dividend payment, but dividend Distribution Tax has been paid by the Company

Thanking you,

Yours faithfully,
For Gurusai Auto Limited.
Sign./

(Mr. Jitesh M. Gandhi)
Company Secretary

5) 5. Draft a reply letter resolving the query of the member on low rate of dividend. :
Ans:

SHREE CEMENT INDUSTRIES LIMITED
Registered Office : 31, Tulsi Tower, Bandra (East),
Mumbai - 400 050
CIN: L50307 MH 2000 PLC160699

Phone. No. 022- 24245025
Fax . 022- 454556035
Ref. No. S/MR-D/25/19-20

Website : www.shreecementindustriesltd.com

E-mail: shree3@gmail.com

Date : 20th April, 2019

Ms. kishore maipani
15/21, Lotus Apt.,
Borivali (W)
Mumbai - 400 601.

Sub. : Resolving Query on Low Rate of Dividend made by the Company

Dear Sir.

This is to inform you that as per your letter dated 15th April, 2019 I am hereby authorised to resolve your query regarding the low rate of dividend paid by the company to their faithful members. The reasons for low rate of dividend are mentioned below:.

The next Board Meeting will be held on 29th January, 2019 and the notice convening the meeting has already been dispatched to you. You are requested to note that under Section 167(1) (b) of the Companies Act, 2013, "the office of a Director becomes vacant if he absents himself from all the meetings of the Board for a period of 12 months with or without obtaining prior leave of absence from the Board."

1. That during the last year, due to the floods, company's factory situated at Mahim (E) was not in a condition to operate in a full fledged manner.
2. That due to such unavoidable circumstances of natural disaster company faced

huge financial losses.

3. That due to such circumstances Board of Directors has decided to transfer Rupees 12.5 crores to General Reserves which is 50% more than the amount transferred to Reserves last year.

Hope you will be satisfied by the above information as provided by the company. We assure you that company will easily come over from such unavoidable circumstances and will deliver much better dividend in the coming years.

Thanking you,
Yours faithfully,
For Shree Cement Industries Limited

sign
(Mr. Suhas Bajaj)
Company Secretary