

CH10. CORRESPONDENCE WITH DIRECTORS.

Q.1 a Select the correct answer from the option given below and rewrite the statements:

(1) Representatives of shareholders are

(a) Directors (b) employees (c) servants

(2) The notice of the meeting of the Board of Directors must be accompanied by.....

(a) Agenda (b) minutes (c) resolution

(3) looks after the management of a company.

(a) Board of Directors (b) Auditor (C) Company Secretary

(4) The Directors take decisions at meeting.

(a) Annual General **(b) Board** (c) Statutory

(5) According to Section 167(1) ((b) of the Companies Act, 2013 if a director absents himself from all the meetings of the Board. for a period of months or more. with or without the leave of the Board, he shall be deemed to have vacated his office.

(a) 12 (b) 10 (c) 9

6) Every company except CFO and small company shall hold minimum..... Board Meetings in each year.

(a) 4 (b) 3 (C) 5

(7) The gap between two consecutive Board Meetings should not be more thandays.

(a) 120 (b) 110 (c) 130

B) Match the pairs:

	Answer
Group A	
Directors	Representative of shareholder
Absenteeism of directors in board meeting	Disqualification of directors
Public company	At least 3 directors
Private company	At least 2 directors
Notice of a routine board meeting	7 days

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

1) An elected body of representatives of Shareholders.

Ans: Board of directors.

2) An employee of a company who provides guidance and advice to the Board of Director about business matters.

Ans: Company secretary.

3) A meeting of all the directors of a company.

Ans: Board meeting.

4) A written invitation given to the Director to attend the meeting.

Ans: Notice of a board meeting.

D) State whether the Following statement are true or false:

(1) A director can be removed before the expiry of his term.

Ans: True

(2) Directors act as trustees of the company.

Ans: True

(3) A director can remain absent for any number of Board Meetings.

Ans: False

(4) Directors act as agent and trustees of the company.

Ans: True

(5) Company Secretary need not attend the board meetings.

Ans: False

(6) Director can take decisions individually.

Ans: False

(7) Secretary gives information to the directors.

Ans: True

F) Select the correct option from the bracket:

Group A	Group B
Notice of board meeting	Not less than 7 days
Board meeting	Meeting of all directors
Duty of directors	Disclosure of personal interest

G) Answer in one sentences:

(1) When does a Director vacate his office due to absenteeism at Board Meeting?

Ans. If a Director remains absent from all the meetings of the Board held during a period of 12 months, with or without the leave of absence from the Board, has to vacate his office.

(2) Can a Director who was absent at Board Meeting get a copy of minutes of that Board Meeting?

Ans. A Director who was absent at the Board meeting, on his request can get a copy of minutes of that Board meeting from the secretary.

H) Correct the underline words and rewrite the following statements:

(1) Secretary is a elected representative of the shareholders.

Ans: Director is a elected representative of the shareholder.

(2) Secretary is responsible for decision making and framing policies of a company.

Ans: Board of directors is responsible for decision making and framing policies of a company

Q.2 Explain the following terms /concept:

(1) Director.

Ans (1) The elected representatives of the shareholders are called Directors of the company. The shareholders vest in them all the powers of managing the affairs of the company. In the company management the role of Directors is threefold. Via (a) as the agents of the company (b) as the trustees of the company and (c) as the managing partners.

(2) The directors occupy key (important) position in the management of the company. They are responsible for decision making. Framing policies and plans. They exercise their powers and authorities collectively as a Board. They sometimes do not remain in

company' office. So they ask for the information from the secretary, which helps them to make proper decisions.

(2) Board of Directors.

Ans (1) The collective term applied to the full complement of the directors of a company. It is Board of directors rather than individual members of it Which is responsible for directing the activities of the company, framing plans and policies decision making and carrying out other important functions of the management of the company. The directors exercise their powers collectively as a Board. They cannot exercise their powers in individual capacity.

(2) The directors are superiors and occupy important (key) position in the management of the company. They are authorised by the shareholders to utilise the capital acquire assets appoint the personnel to conduct the affairs of the company for the benefit of the shareholders. The Board of Directors is the policy-framing and decision making organ of the company. The Board of directors elects their representative from amongst them as Managing Director. The managing director is required to execute the policy framed by the Board.

(3) Conciseness.

Ans. (1) The term 'concise' means brief and to the point. A good business letter must be brief and to the point. It is very essential that the letter should not be lengthy. Businessmen have too many letters to read. They want to know the contents of the letter at a glance.

(2) The letter should not contain unnecessary details, long descriptions, irrelevant details, lengthy sentences, redundant words, etc. Repetition should be avoided and the words having double meanings should not be used. The letter written should provide maximum information in minimum words. However, conciseness should not reduce clarity.

(4) Politeness.

Ans. (1) Politeness means courtesy, kindness, presentation of good (excellent) manners. The language of a business letter must be polite, convincing and unoffending. A politeness in the letter helps to build cordial relationship between letter writer and reader. The use of words like "please", "very kind of you", "much obliged", "thankful to

you”, etc. creates a good impression on the reader.

(2) Polite words and respect for the feelings of others are the prerequisites of courtesy. However, courtesy (politeness) does not mean flattery or humility. The letter may be firm but the tone must be courteous. A courteous (polite) letter builds up the goodwill and image of the organisation.

(5) Initiative.

Ans. (1) Initiative means ability or the power or opportunity to act or take charge before others do. Initiative can also mean a personal quality that shows a willingness to get the things done and take responsibility. It is the start of something with the hope that it will continue.

(2) A company secretary is required to take initiative (a lead) in making arrangements for the board meetings. Company secretary informs the directors to convene Board meeting, shareholders meeting on schedule time. He takes initiative to convene different meetings of the company. Secretary also takes initiative to help directors in smooth conduct of the meetings.

(6) Notice and Agenda of Board meeting:

Ans. (1) Notice of a board meeting is a formal and advance. Invitation in writing given to all the directors entitled to attend The Board meeting. The notice of the Board meeting contains information such as venue, day, date, time of the meeting. It is sent to every director at least 7 days prior to the date of Board meeting either by hand delivery or by the post. It may be sent by electronic means. .

(2) Agenda of Board meeting is a list of items of business serially arranged on which discussion is invited in a Board meeting so as to arrive at certain decisions. Agenda is sent with or may be a part of the notice of the meeting. It is drafted by a secretary in consultation with the chairman. The chairman takes up for discussion the items usually in the same order as on agenda. He can change 'the order with the consent of the house.

Q.3 Answer in brief:

(1) What are the points to be considered by a secretary while corresponding with the directors? '

Ans. The points to be considered by a secretary while corresponding with the directors.

(1) Prompt reply: The secretary should give prompt reply to the questions or queries raised by the directors. Prompt reply is Very important and necessary in every correspondence. A prompt and complete reply to director's letters or queries, show

gentle and polite behavior on the part of the secretary.

(2) Politeness: A courteous (polite) letters show empathy, respect and mutual understanding. The language of the letter drafted to the directors must be polite and courteous. The approach of the letters should be friendly, skilful, submissive and natural. It helps to get prompt and favourable reply and also helps to built up goodwill of the organisation.

(3) Initiative: An initiative means the start of something with the hope that it will continue. It is an ability to assess and initiate things independently. In a company, the secretary is required to take initiative in making arrangement of the board meetings and shareholders' meetings. The secretary informs the directors to convene general meetings of the company on schedule time.

(4) Accuracy: The secretary must furnish accurate, complete, up-to-date, true and error-free information about every aspect of the business to the directors. The correct numerical, factual presentation about the business activities helps the directors to take accurate, appropriate and wise decisions.

(5) Brevity : The letter written by the Secretary to the directors should be precise, brief and to the point. Unnecessary information, irrelevant message or explanation, lengthy paragraphs, etc. should not be included in the letters. The secretary should provide maximum information in minimum words. He should provide all the information in concise or compact manner.

(2) Under what circumstances will a Secretary correspond with a Director?

Ans. Circumstances under which secretary correspond with a director:

(1) Sending notices and Agenda of the Board Meetings, Annual General Meeting and Extraordinary General Meeting as per the rules of the Articles of Association of the Company.

(2) Asking a director to disclose his personal interest, if any in a contract as required under Section 184 of the Companies Act, 2013.

(3) If any director remains absent in the Board Meeting, then as per his request, the secretary sends a letter to concerned director to give important details of the Board Meeting and draft minutes of that meeting for his kind information.

(4) Reminding the director of provisions made under Section 167 (l) (b) of the Companies Act, 2013 regarding absenteeism of all the meetings of the Board, held during a period of 12 months with or Without the leave of absence from the Board. In such a case the concerned director is required to vacate his office.

(5) Requesting a director to be present at a meeting as an expert.

(6) Informing a director in respect of his premature removal or retirement from the post of the director of the company.

Q.4 Justify the following statement:

(1) Directors exercise their powers and authorities collectively as a Board.

Ans. (i) Although the shareholders are the owners they cannot manage their company. Following the principle of democracy, they elect their representatives from amongst them, called the Directors, at the Annual General Meeting. They vest the Directors with the powers of managing the affairs of the company. Directors are the men of commercial skill and business tact. They are authorised by the shareholders to utilize the capital, acquire the assets, and appoint the personnel to conduct the affairs of the company for the benefit of the shareholders of the company.

(ii) The directors exercise their powers and take decisions collectively as a Board. They cannot exercise their powers and take decisions in their individual capacity. The Board of Directors is the policy-framing and decision-making organ of the company.

As agents of the company, the directors must act within the scope of their authority and in the name of the principal, i.e. company. They would be personally liable if they take decisions in their own name and in their individual capacity. Their acts are not binding on the shareholders or on each other unless the Articles provide so.

2) The secretary should take certain precaution while corresponding with directors:

Ans: The points to be considered by a secretary while corresponding with the directors.

(1) Prompt reply: The secretary should give prompt reply to the questions or queries raised by the directors. Prompt reply is Very important and necessary in every correspondence. A prompt and complete reply to director's letters or queries, show gentle and polite behaviour on the part of the secretary.

(2) Politeness: A courteous (polite) letters show empathy, respect and mutual understanding. The language of the letter drafted to the directors must be polite and courteous. The approach of the letters should be friendly, skilful, submissive and natural. It helps to get prompt and favourable reply and also helps to built up goodwill of the organisation.

(3) Initiative: An initiative means the start of something with the hope that it will continue. It is an ability to assess and initiate things independently. In a company, the secretary is required to take initiative in making arrangement of the board meetings and shareholders' meetings. The secretary informs the directors to convene general meetings of the company on schedule time.

(4) Accuracy: The secretary must furnish accurate, complete, up-to-date, true and error-free information about every aspect of the business to the directors. The correct numerical, factual presentation about the business activities helps the directors to take accurate, appropriate and wise decisions.

(5) Brevity: The letter written by the Secretary to the directors should be precise, brief and to the point. Unnecessary information, irrelevant message or explanation, lengthy paragraphs, etc. should not be included in the letters. The secretary should provide maximum information in minimum words. He should provide all the information in concise or compact manner.

(3) The Board of Directors are the elected representatives of the shareholders.

Ans. (1) In a joint stock company, there is separation of the ownership from the management. Although the shareholders are the owners of the company, they never participate in the management. The shareholders elect their representatives from amongst themselves. The elected representatives are called 'directors'. The directors form themselves into a body called a Board of Directors. Thus, the Board of Directors is the elected representatives of the shareholders.

(2) The shareholders delegate their powers of management to the Board. The Board after discussion decides the matters frame the policies and takes policy decisions. The managing

Directors with the help of the managerial staff implements the policies.

4) The secretary has to correspond with directors on important occasion:

Ans: Circumstances under which secretary correspond with a director:

(1) Sending notices and Agenda of the Board Meetings, Annual General Meeting and Extraordinary General Meeting as per the rules of the Articles of Association of the Company.

(2) Asking a director to disclose his personal interest, if any in a contract as required under Section 184 of the Companies Act, 2013.

(3) If any director remains absent in the Board Meeting, then as per his request, the secretary sends a letter to concerned director to give important details of the Board Meeting and draft minutes of that meeting for his kind information.

(4) Reminding the director of provisions made under Section 167 (l) (b) of the Companies Act, 2013 regarding absenteeism of all the meetings of the Board, held during a period of 12 months with or Without the leave of absence from the Board. In such a case the concerned director is required to vacate his office.

(5) Requesting a director to be present at a meeting as an expert.

(6) Informing a director in respect of his premature removal or retirement from the post of the director of the company.