

## INTRODUCTION

In the process of Company management concentrates on the process of planning, organizing, leading and controlling the efforts of company members. This chapter clearly deals with the organizational hierarchy in company management, role of shareholders, directors responsibilities and types of officers in company anagement. This chapter clearly deals with the duties and responsibilities of top management and the working attitude of the employees.

### I. CHOOSE THE CORRECT ANSWERS

1. **A person shall hold office as a director in \_\_\_\_\_ companies as per the Companies Act, 2013.**
  - a) 5 companies
  - b) 10 Companies
  - c) 20 companies
  - d) 15 companies
2. **Which \_\_\_\_\_ Director is appointed by a Financial institution.**
  - a) Nominee
  - b) Additional
  - c) Women
  - d) Shadow
3. **A private company shall have a minimum of \_\_\_\_\_ .**
  - a) Seven directors
  - b) Five directors
  - c) Three directors
  - d) Two directors
4. **A public company shall have a minimum of \_\_\_\_\_ Directors.**
  - a) Twelve
  - b) Seven
  - c) Three
  - d) Two
5. **A public company having a paid up share capital of Rs. \_\_\_\_\_ or more may have a Director, elected by such small shareholders.**
  - a) One
  - b) Three
  - c) Five
  - d) Seven
6. **Under the companies Act, which one of the following powers can be exercised by the Board of Directors?**
  - a) Power to the company's undertakings.
  - b) Power to make call.
  - c) Power to borrow money in excess of the paid up capital.
  - d) Power to reappoint an auditor.
7. **Which director need not hold qualifying shares.**
  - a) Directors appointed to Central Government.
  - b) Directors appointed to Shareholders.
  - c) Directors appointed to Managing Directors.
  - d) Directors appointed to Board of Directors.
8. **What is the statue of Directors who regulate money of the company.**
  - a) Banker
  - b) Holder
  - c) Agent
  - d) Trustees
9. **According to Companies Act, the Directors must be appointed by the.**
  - a) Central Government
  - b) Company Law Tribunal
  - c) Company in General Meeting
  - d) Board of Directors.
10. **The Board of Directors can exercise the power to appoint directors in the case of.**
  - a) Additional Directors
  - b) Filling up the Casual vacancy
  - c) Alternate Directors
  - d) All the above.

### ANSWERS

1.	c	2.	a	3.	d	4.	c	5.	c
6.	b	7.	a	8.	d	9.	c	10.	d

**II. VERY SHORT ANSWER QUESTIONS:****1. Define Director.**

- ❖ The Companies act 2013 section 2 (34) defines a director appointed to the board of a Company is "A person who is appointed or elected member of the board of Directors of a company and has the responsibility of determining and implementing policies along with others in board.
- ❖ It is not necessary to, hold any shares in the company or be an employee.
- ❖ Directors act on the basis of resolutions made in the board of Directors meeting according to their powers stated in the Articles of Association of the company".

**2. Name the companies required to appoint KMP.**

**Following companies are required to appoint KMP:**

- ❖ Every listed company
- ❖ Every public company (Having paid up share capital of Rs. 10 crore or more)

**3. Who is whole time Director?**

A Whole Time Director is one who devotes whole of his time of working hours to the company and has a significant personal interest in the company as the source of his income.

**4. Who is called as Managing Director?**

A Managing Director is one who is employed by the company and has substantial powers of management over the affairs of the company subject to superintendence, direction and control of the board.

**5. Who can be Executive Director?**

- ❖ An executive director is a Chief Executive Officer (CEO) or managing director of an organization, company, or corporation, who is responsible for making decisions to complete the mission and for the success of the organization.
- ❖ In the globalised business world the title of President or of chief Executive Officer used instead of Managing Director.

**III. SHORT ANSWER QUESTIONS:****1. Differentiate Executive and non-Executive Directors.**

- ❖ An Executive Director can be either a whole-time Director of the Company or a managing Director.
- ❖ But a Non-Executive director is a Director who is neither a Whole- time Director nor a Managing director.

**2. When are alternative directors appointed?**

- ❖ Alternate director is appointed by the Board of Directors, as a substitute to a director who may be absent from India, for a period which is not less than three months.
- ❖ The appointment must be authorized either by the Articles of association of the company or by a passing a resolution in the general Meeting.
- ❖ The alternative director is not a representative or agent of Original Director.

**3. Who is a shadow director?**

**Shadow Director:**

A person who is not the member of Board but has some power to run it can be appointed as the directors but according to his/her wish.

**4. What is causal Vacancy?**

It means a vacancy caused due to death, disqualification and resignation of an auditor.

**5. State the minimum number of directors for a Private company.**

**Minimum number of Directors:**

**a) Public Company:** Every public company shall have a minimum number of 3 directors and

**b) Private company:**

In case of One Person Company: The requirement of directors is one.

Other Private Companies: The minimum requirement of Directors is two.

## IV. LONG ANSWER QUESTIONS:

### 1. Who are the KMP?

#### Key-Managerial Personnel of a Company

- ❖ Companies Act, 2013 (Act) has introduced many new concepts and Key Managerial Personnel (KMP) is one of them.
- ❖ KMP covers the traditional roles of managing director and whole time director and also includes some functional heads like Chief Financial Officer and Chief Executive Officer and Company Secretary.

#### who are the key managerial personnel?

- ❖ The definition of the term Key Managerial Personnel is contained in Section 2(51) of the companies Act, 2013. This section states:
  - the Chief Executive Officer
  - the Managing Director or the Manager;
  - the Company Secretary
  - the Whole-time Director;
  - the Chief financial Officer; and
  - such other officer as may be prescribed;

#### Following companies are required to appoint KMP:

##### Requirement to Appoint "KMP"

- Every listed company
- Every public company (Having paid up share capital of Rs. 10 crore or more)

### 2. Explain composition of the board of directors.

#### COMPOSITION OF THE BOARD OF DIRECTORS:

##### a) General Optimum combination:

Board of Directors shall have an optimum combination of executive and non-executive directors with at least one woman director and not less than fifty percent of the board of directors shall comprise of non-executive directors.

##### b) When the non-executive director is the Chairperson:

In this case, at least one-third of the board of directors shall comprise of independent directors and where the company does not have a regular

non-executive chairperson, at least half of the board of directors shall comprise independent directors.

##### c) When the non-executive chairperson is a promoter or is related to any promoter or person occupying management positions at the level of board of director or at one level below the Board of Directors:

- In this case, at least one half of the board of directors of the company shall consist of Independent Directors (ID).
- A director is appointed to the board of a company. Such directors have a different role to play to attain the goal of the company.
- According to their role they are differently classified in accordance with the provision of the Companies Act 2013.

### 3. Brief different types of Directors.

The following are the types of Directors as per Companies Act 2013

**1. Residential Director:** According to section 149(3) of Companies Act 2013, Every company should appoint a director who has stayed in India for a total period of not less than 182 days in the previous calendar year.

**2. Independent Director:** According to section 149(6) an independent director is an alternate director other than a managing director who is known as Whole Time director or Nominee Director. The following type of companies has to appoint minimum two independent directors:

- a) Public companies which have paid-up share capital- 10 Crores or More;-
- b) Public companies which have turnover- 100 crores or more;-
- c) Public companies which have total outstanding loans, debenture, and deposits of 50 crores or more.

**3. Small shareholders directors:** Small shareholders can appoint a single director in a listed company. But this action needs a proper procedure like handing over a notice to at least 1,000 shareholders or 1/10<sup>th</sup> of the total shareholders.

**4. Nominee director:** "A director nominated by any financial Institution on pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests".

**From the above,**

- a) should be nominated by any financial institution in pursuance of any law or in term of an agreement entered into by the company.
- b) Could be appointed by the Government or by any other person.
- c) The person so appointed shall represent the interests of the organization/Institution which he represents.

**5. Women Director:** As per section 149 (1) (a), there are certain categories according to which there should be at least one woman as a director on the board. The following class of companies shall appoint at least one woman director

- (i) every listed company;
- (ii) every other public company having:
  - (a) paid-up share capital of one hundred crore ruppes or more; or
  - (b) turn over of three hundred crore rupees or more.

**6. Additional directors:** Any individual can be appointed as Additional directors by a company.

**7. Alternate directors:** Alternate director is appointed by the board of directors, as a substitute to a director who may be absent from India, for a period which is not less than three months. The appointment must be authorized either by the Articles of Association of the company or by a passing a resolution in the General Meeting. The alternative director is not a representative or agent or original director.

**8. Shadow Director:** A person who is not the member of Board but has some power to run it can be appointed as the directors but according to his/her wish.

#### 4. State the qualifications of Directors.

- ❖ In general, a director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.
- ❖ According to the different provisions relating to the directors; the following qualifications may be mentioned:
  - A director must be a person of sound mind.
  - A director must hold share qualification, if the article of association provides such.
  - A director must be an individual.
  - A director should be a solvent person.
  - A director should not be convicted by the Court for any offence, etc.

#### 5. List the disqualifications of directors.

##### Disqualifications of a director:

Section 164 of companies act, 2013, has mentioned the disqualification as mentioned below:

- 1) A person shall not be capable of being appointed director of a company, if the director is
  - (a) Of unsound mind
  - (b) An undercharged insolvent;
  - (c) Has been convicted by a court for any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months
  - (d) Has not paid any call in respect of shares of the company held by him, whether alone or jointly with others.
  - (e) An order disqualifying him for appointments as director has been passed by a court in pursuance of section 203.
  - (f) He has been convicted of the offence dealing with related party transactions under section 188.
  - (g) He has not got the Director Identification Number.

## 6. Explain how director of a company can be removed from the office.

### Removal of Director:

A director of company can be removed from his office before the expiry of his term by

- the shareholders
- the central government
- the company law board

A director can be removed from his office in any of the following three ways:

#### a) Removal by shareholder 169:

- A company (whether public or private) may, by giving a special notice and passing an ordinary resolution, remove a director before the expiry of his period of office without the proof of mismanagement, breach of trust, misfeasance or other misconduct on the part of the director.
- If the shareholders feel that the policies pursued by the director are not appropriate, then director can be removed.
- The shareholders can do so by passing an ordinary resolution in a general meeting.

#### b) Removal by the Central Government:

The central government has been empowered to remove managerial personnel from office on the recommendation of the company law board under the following circumstances.

- Where a person concerned in the conduct and management of the affairs of a company has been guilty of fraud, misfeasance, persistent negligence in carrying out his obligations.
- Where the business of a company has not been conducted and managed by such a person, in accordance with sound business principles or prudent commercial practices;
- Where the business of a company has been conducted and managed by such a person in a manner which is likely to cause injury or damage to the interest of the trade, industry or business.
- Where the business of the company has been conducted and managed by such a person with the intent to defraud its creditors, members or any other persons.

### c) Removal by the company law board:

- If an application has been made to the company law board against the oppression and mismanagement of the company's affairs by a director, then the company law board may order for the termination of the director's tenure or set aside any agreement that has been entered into between the company and the director.
- Such order can effect the removal of the director from his office.

## 7. What is the maximum limit for the Managerial remuneration?

### Managerial Remuneration

The managerial remuneration is payable to a person's appointed u/s 196 of the Act. The term remuneration means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites.

- Value of rent-free or concession accommodation.
- Value any other items provided at free of cost or at concessional rate.
- Value of securities/sweat equity shares allotted or transferred by the employer or former employer to the employee.
- A contribution made by an employer to an approved superannuation fund.
- Value of any other fringe benefit or amenity.
- Stock options would be part of remuneration for all directors.

### Forms of Managerial Remuneration:

- Based on profit of the company
- Based on Shareholders' recommendations
- Based on shareholders' and central Government recommendations.

## 8. What are the duties of a director?

### Duties of director:

Directors act as agents of the shareholders and act as a trustees of shareholders. Thus they have a fiduciary duty to protect the property of the company. Simply stated the following are the duties of directors.

### Collective duties of directors:

Directors as a part of board perform certain duties collectively. The following are some of those



duties exercised collectively:-

- Approval of annual accounts and authentication of annual accounts.
- Directors report to shareholders highlighting performance of the company, transfers to reserves, investment surplus funds, borrowings
- Appointment of First Auditors
- Issuance of notice and holding of board meetings and shareholders meetings
- Passing of resolutions at board meetings or by circulation.

#### General duties of Directors:

- Structuring or new policy to reach the objectives of a company.
- Delegating power to any committee if the articles permits for well being of the company.
- Issuing instructions to employees for implementation of policy to review company's progress.
- Appointing their subordinates like managing director, manager, secretary and other employees.
- Acting in accordance with the articles of the company
- Act in good faith in order to promote the objects of the company.
- Perform duties with due and reasonable care and diligence.

#### Specific Duties of Directors:

- Duty to disclose his name, address and occupation
- Duty to disclose his shareholding and interest in contracts of the company.
- Duty to hold minimum qualification shares within two months after his appointment.
- Duty to issue prospectus and fix the minimum subscription.
- Duty to take care that prospectus should not contain any false or misleading statement.
- Duty to confirm the required disclosure in the prospectus as required by the act.
- Duty to sign in the prospectus before submitting it to the registrar of companies.
- Duty to deposit application money in a scheduled bank and its utilization in

accordance with the specification given in the act.

- Duty to arrange for making payment of dividend declared.
- Duty to file return of allotment of securities with the registrar.
- Duty to forfeit and transfer shares.
- Duty to file all the reports and resolutions as required by the act with the registrar of companies.
- Duty to carry out all other activities as specified in the act in time.
- Duty to call on an extraordinary general body meeting, if necessary.
- Duty to call statutory and annual general meeting of the company.

### 9. State the powers of the directors.

#### Power of Director:

- ❖ Directors should have a vision to frame policies to achieve high level of performance.
- ❖ To achieve high level of performance, they must set the goals of the company.
- ❖ They must have powers to carry on objectives of the company.
- ❖ The power of the Directors grouped into four different heads viz.,
  - Statutory powers of directors
  - Managerial powers of directors
  - Power only with a resolution
  - Other powers

#### Statutory powers of directors:

In the general body meeting of the company the following powers must be exercised by the board of directors by passing a resolution.

- ❖ Power to make calls on shareholders in respect of money unpaid on their shares.
- ❖ Power to issue debentures.
- ❖ Power to borrow moneys otherwise than on debentures.
- ❖ Power to invest the funds of the company.
- ❖ Power to make loans
- ❖ Power to approve amalgamation, Merger or reconstruction.
- ❖ Power to approve financial statement and board reports.

**Managerial powers of directors:**

- ❖ Power to contract with the third party.
- ❖ Power to allot, forfeit or transfer shares of company.
- ❖ Power to decide the terms and conditions to issue debentures.
- ❖ Power to frame new policies and to issue instructions for the efficient running of the business.
- ❖ Power to appoint managing director, manager, secretary of the company.
- ❖ Power of control and supervision of work of subordinates.

**Power only with a resolution:**

- ❖ To sell or lease any asset of the company
- ❖ To allow time to the director for repayment of the loan
- ❖ To borrow money in excess of paid up capital and free reserves
- ❖ To appoint a sole agent for more than 5 years.
- ❖ To issue bonus shares and for reorganization of share capital.
- ❖ To contribute money for charitable purposes exceeding 50000 or 5% of the average profits of 3 years whichever is greater.

**Other powers:**

- ❖ Power to fill casual vacancy
- ❖ Power to appoint the first auditor of the company
- ❖ Power to appoint alternative directors, additional directors and key managerial personnel.
- ❖ Power to remove key managerial personnel
- ❖ Power to recommend the interim and final dividend to shareholders.
- ❖ Power to declare solvency position of the company.
- ❖ Power to make political contribution.

**10. State the Criminal liabilities of Directors.****Criminal liabilities of directors:**

Directors will be liable with a fine and imprisonment or both for fraud or non-compliance of any statutory provisions in the following situations where

- ❖ There is mis-statement in prospectus
- ❖ There is failure to file return on allotment with the registrar
- ❖ There is failure to give notice to the registrar for conversion of share into stock
- ❖ There is failure to issue share certificate and debenture certificate
- ❖ There is failure to maintain register of the members and register of debenture holders
- ❖ There is default in holding annual general meeting
- ❖ There is failure to provide financial statements.

**ADDITIONAL QUESTIONS:****I. CHOOSE THE CORRECT ANSWERS:**

1. The companies act 2013 section \_\_\_\_\_ defines the appointment of director.
  - a) 2(34)                      b) 4(24)
  - c) 3(24)                      d) None of the above
2. The public company shall have a minimum number \_\_\_\_\_ directors.
  - a) 3                              b) 2
  - c) 6                              d) None of the above
3. What is the notice period for the annual general meeting of a public company?
  - a) 21 days
  - b) 21 days unless the articles provide for a longer period
  - c) 14 days
  - d) 14 days unless the articles provide for a longer period
4. Maximum rate of discount that can be allowed on issue of shares \_\_\_\_\_.
  - a) 5 %                              b) 10%
  - c) 15%                              d) 20%

5. In case of Non-Profit making companies notice of general meeting should be given within \_\_\_\_ days
  - a) 14
  - b) 15
  - c) 21
  - d) 22
6. Which of the following relationship is shared by the directors with the company?
  - a) Agent
  - b) Principal
  - c) Both (a) & (b)
  - d) None of the above
7. Which of the following statements about the directors are true?
  - a) The directors enjoy the rights and privileges of an agent.
  - b) There is no personal liability on any contracts entered by them except the powers stated in the memorandum and articles of the company.
  - c) They are appointed to lead the company in relation to third parties.
  - d) All the above
8. \_\_\_\_\_ mean those directors who hold office from the date of incorporation of the company.
  - a) Nominee directors
  - b) Alternate director
  - c) First Director
  - d) Officer Director
9. A director can be removed from his office by which way of the following?
  - a) By the Shareholders
  - b) By the Central Government
  - c) By the Company Law Board
  - d) All the above
10. The removal of the director by the shareholder is given in section \_\_\_\_\_ of Companies Act, 2013.
  - a) 169
  - b) 187
  - c) 168
  - d) 190
11. Expand DIN\_\_\_\_\_
  - a) Domain Identification Number
  - b) Director Identification Number
  - c) Directors' Indian Number
  - d) Directors' International Number
12. The primary stakeholders of a company are \_\_\_\_\_.
  - a) Customers
  - b) Suppliers
  - c) Shareholders
  - d) None of the above
13. The board of the directors and CEO should be the leaders with \_\_\_\_\_.
  - a) Vision and the problem solving skills
  - b) Motivating ability
  - c) Profit earning capacity
  - d) All of the above
14. The market price of a share is determined by \_\_\_\_\_.
  - a) The board of directors of the company
  - b) The stock exchanges
  - c) The CEO of the company
  - d) individual buy and sell shares
15. A Company's \_\_\_\_\_ are potentially the most effective instrument of good corporate governance.
  - a) Common Stock Shareholders
  - b) Board of Directors
  - c) Top Executive Officers
  - d) All of the above
16. Assertion (A): Mr.A is known as Residential Director because he stayed in India for a period of 240 days in the previous year.  
Reason(R): Section 149(3) of Companies act allowed a person to be called as a residential director, who has stayed in India for a total period of not less than 182 days in the previous calendar year.  
**Codes:**
  - (A) Both (A) and (R) are correct and (R) is correct explanation of (A).
  - (B) Both (A) and (R) are correct, but (R) is not a correct explanation of (A).
  - (C) (A) is correct, but (R) is incorrect.
  - (D) (A) is incorrect, but (R) is correct



**17. Assertion (A):** KMP covers the traditional roles of managing director and whole time director.

**Reason (R):** Section 2(51) of the companies act, 2013 explains the key managerial functions of directors.

**Codes:**

- (A) Both (A) and (R) are correct and (R) is correct explanation of (A).  
 (B) Both (A) and (R) are correct, but (R) is not a correct explanation of (A).  
 (C) (A) is correct, but (R) is incorrect.  
 (D) (A) is incorrect, but (R) is correct

**18. Statement (I):** A person who is not the member of board but has some power to run is known shadow director.

**Statement (II) :** The shadow director can be appointed as per their wish.

**Codes:**

- (A) Both (A) and (R) are correct.  
 (B) Only (A) is correct, but (R) is wrong.  
 (C) Only (R) is correct, but (A) is wrong.  
 (D) Both (A) and (R) are wrong

**19. Assertion (A):** A person can hold the position of Directorship in different companies up to maximum of 20.

**Reason (R):** Section 165 of the companies' act 2013 describes the appointment of directors.

**Codes:**

- (A) Both (A) and (R) are correct.  
 (B) Only (A) is correct, but (R) is wrong.  
 (C) Only (R) is correct, but (A) is wrong.  
 (D) Both (A) and (R) are wrong

**20. Statement (I):** Manager allocates the work to the subordinates according to their nature of appointment and job.

**Statement (II) :** Director implements policies and provides fundamental guidelines to carry out a job.

**Codes:**

- (A) Both (A) and (R) are correct.  
 (B) Only (A) is correct, but (R) is wrong.  
 (C) Only (R) is correct, but (A) is wrong.  
 (D) Both (A) and (R) are wrong

**21. Match the following:**

List I	List II
Whole time director	i. Substitute for board of director
Managing director	ii. responsible for taking decisions
Executive director	iii. substantial powers of management
Alternate director	iv. devotes whole of his time

- a) 4    b) 3    c) 1    d) 2  
 a) 4    b) 3    c) 1    d) 2  
 c) 3    d) 4  
 d) 4    c) 2    b) 1    a) 3

**22. Match the List**

List I CAPITAL	List II REMUNERATION TO DIRECTORS
a. less than Rs.5 crore	i. Rs.60 lakhs + 9.91 % of the effective capital in excess of Rs. 250 crore.
b. Rs.5 crore and above but less than Rs.50 crore	ii. Rs60 lakhs
c. Rs.50 crore and above but less than Rs.100 crore	iii. Rs.42 lakhs
d. Rs.250 crore and above	iv. Rs.30 lakhs

- a) 4    b) 3    c) 1    d) 2  
 a) 4    b) 3    c) 1    d) 2  
 c) 3    d) 4  
 d) 4    c) 2    b) 1    a) 3

ANSWERS									
1.	a	2.	a	3.	b	4.	b	5.	a
6.	c	7.	d	8.	c	9.	d	10.	a
11.	b	12.	c	13.	d	14.	d	15.	b
16.	a	17.	a	18.	a	19.	a	20.	a
21.	d	22.	d						

**II. VERY SHORT ANSWER QUESTIONS:****1. Write a note on Small Shareholders Directors.**

- ❖ Small shareholders can appoint a single director in a listed company.
- ❖ This action needs a proper procedure like handing over a notice to at least 1000 shareholders or 1/10<sup>th</sup> of the total shareholders.

**III. SHORT ANSWER QUESTIONS:****1. Who is called as a Nominee Director?**

"A director nominated by any financial Institution on pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests".

**From the above,**

- ❖ should be nominated by any financial institution in pursuance of any law or in term of an agreement entered into by the company.
- ❖ Could be appointed by the Government or by any other person.
- ❖ The person so appointed shall represent the interests of the organization/Institution which he represents.

**2. Explain Power of Attorney.**

- ❖ The promoters may appoint an attorney empowering him/her to carry out the instructions/requirements stipulated by the Registrar.
- ❖ This requires execution of Power of Attorney on a non-judicial stamp paper for a value prescribed in the respective State Stamp Laws.

**3. Write a note on the Number of directors in a company:**

- ❖ Section 149(1) of the Companies Act, 2013 requires that every company shall have a minimum number of 3 directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company.
- ❖ A company can appoint maximum 15 fifteen directors.
- ❖ A company may appoint more than fifteen

directors after passing a special resolution in general meeting and approval of Central Government is not required.

- ❖ A period of one year has been provided to enable the companies existing on or before the commencement of Companies Act, 2013 to comply with this requirement.

**IV. LONG ANSWER QUESTIONS:****1. Explain the Number of Directorships allowed by the company law.**

- ❖ Under Section 165 of the Companies Act 2013 A person can hold the position of Directorship in different companies up to maximum of 20.
- ❖ The number of directorships in public companies/ private companies that are either holding or subsidiary company of a public company shall be limited to 10.
- ❖ Further the members of a company may restrict above mentioned limit by passing a special resolution.
- ❖ If a person holds Directorship in more than the limit specified above he/she has to resign the excess, according to his / her choice.
- ❖ If a person accepts an appointment as a director in excess of above mentioned limit is punishable with a fine of not less than Rs. 5,000 but which may extend to Rs. 25,000 for every day after the first day for the period of Directorship hold by the person.

**2. Write a note on the legal position of a director.**

Directors are the persons duly appointed by the Company to lead and manage its affairs and their legal position. At times they have to act as agents, managing partner, trustees, Employee, and Officer.

**a) Directors as Agents:**

- ❖ Directors who are elected representatives of the shareholders and who execute decision made for the benefit of shareholders.
- ❖ Directors share a relationship of an agent and a principal with the company.
- ❖ Directors are appointed to lead the company in relation to third parties.

- ❖ They can enjoy the rights and privileges of an agent.
- ❖ There is no personal liability on any contracts entered by them,
- ❖ If it is not so they have personal liability.

#### b) Directors as Managing Partners

- ❖ The management of company is vested in the hands of many executives.
- ❖ So, the directors are virtual managing partners and the Directors elected by shareholders are like partners to the shareholders.
- ❖ Director is a person has to act under the superintendence, control and direction of the board of Directors.
- ❖ Therefore, unlike in a partnership firm, no power can be delegated to a single director as a managing partner.

#### c) Directors as trustees

- ❖ Directors are trustees of the company's money and property and they have to safeguard them and use them for the sake of the company and on behalf of the company.
- ❖ According to Law of trust, the equitable ownership of the trust property is vested with the beneficiary only, Hence directors cannot act

as a full-fledged trustee.

#### d) Directors as employees

- ❖ Directors are professionals who manage the company for the benefit of themselves and for the benefit of the shareholders.
- ❖ If a director accepts employment in the same company under a separate contract of service, then, in addition to the directorship, he is also treated as an employee or servant of the company.
- ❖ In other words, when the director is appointed as whole time employee of the company, then that particular director shall be considered as employee director or whole time director.

#### e) Directors as officers

- ❖ "Officer" includes any director, manager or key managerial personnel or any person in accordance with the directions or instructions the Board of Directors or any one or more of the directors who is or are accustomed to act.
- ❖ Director is treated as officers of an company.
- ❖ Sometimes, they may be also liable for punishments in form of penalties, under Companies Act, when the provisions of the Act are not strictly complied with.

### 3. Differentiate Manager and Director

Sl.No	Basis of Difference	Manager	Director
1.	Meaning	A person who is in charge for the particular department of the company and is responsible for the performance of that department.	A person appointed by the shareholders to lead the company to achieve its goal.
2.	Nature of Work	Allocate the works to the Subordinates according to their nature of appointment and job	Implements policies and provides fundamental guidelines to carry out a job to the concerned manger
3	Level of Management	A manager comes under executive level	Directors come under top level management and plays important role in the process of decision making
4.	Responsibility	Managers are responsible for implementation of plans and policies approved by the Board of Directors	Directors responsible for formulation of plans and policies time to time to achieve the goal of the company.

4. Different Managing Director and Whole time Director.

Sl.No	Basis of Difference	Managing Director	Whole-Time Director
1.	Power	He/She is entrusted with substantial powers.	The power is stated in the term of employment
2.	Prohibition	Section 197 prohibits to act both a managing director and a manager simultaneously	Sometimes a whole-time director may be appointed as manager and director of a company
3.	Appointment	Consent of the shareholders of the company means of resolution is not necessarily for the appointment of managing director	Consent of shareholders of the company by a special resolution is must for the appointment of whole time director
4.	Duration of Appointment	No individual can be appointed for more than five years at a time	There is no such restriction regarding the appointment of a whole-time director