



Multiple Choice Questions

1. Minimum number of members to form a private company is

- (a) 2
- (b) 3
- (c) 5
- (d) 7

Answer: (a) 2

2. Minimum number of members to form a public company is

- (a) 5
- (b) 7
- (c) 12
- (d) 21

Answer: (b) 7

3. Application of approval of name of a company is to be made to

- (a) SEBI
- (b) Registrar of Companies
- (c) Government of India
- (d) Government of the state in which company is to be registered.

Answer: (b) Registrar of Companies

4. A proposed name of Company is undesirable if

- (a) It is identical with the name of an existing company
- (b) It resembles closely with the name of an existing company.
- (c) it is an emblem of Government
- (d) in case of any of the above.

Answer: (d) in case of any of the above.

5. A prospectus is issued by

- (a) A private company
- (b) A public company seeking investment from public.
- (c) A public enterprise
- (d) A public company

Answer: (d) A public company

6. Stages in the formation of a public company are in the following manner

- (a) Promotion, Commencement of business, Incorporation, Capital Subscription
- (b) Incorporation, Capital Subscription, Commencement of business, promotion
- (c) Promotion, Incorporation, Capital Subscription, Commencement of Business
- (d) Capital Subscription, Promotion, Incorporation, Commencement of Business

Answer: (c) Promotion, Incorporation, Capital Subscription, Commencement of Business

7. Preliminary Contracts are signed

- (a) before the incorporation
- (b) after incorporation but before capital subscription
- (c) after incorporation but before commencement of business
- (d) after commencement of business

Answer: (a) before the incorporation

8. Preliminary Contracts are

- (a) binding the company
- (b) binding on the company, if ratified after incorporation
- (c) binding on the company after the incorporation
- (d) not binding on the company

Answer: (d) not binding on the company

True/False Answer Questions

1. It is necessary to get every company incorporated, whether private or public.

Answer: True

2. Statement in lieu of prospectus can be filed by a public company going for a public issue.

Answer: False

3. A private company can commence business after incorporation.

Answer: True

4. Expert who help promoters in the promotion of a company are also called promoters.

Answer: False

5. A company can ratify preliminary contracts after incorporation.

Answer: False

6. If a company is registered on the basis of fictitious names, its incorporation is invalid.

Answer: False

7. 'Articles of association' is the main document of a company.

Answer: False

8. Every company must file Articles of Association.

Answer: False

9. A provisional contract is signed by promoters before the incorporation of the company.

Answer: False

10. If a company suffers heavy losses and its assets are not enough to pay off its liabilities, the balance can be recovered from the private assets of its members.

Answer: False

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