



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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