

# Burhani Coaching Classes

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## Acceptance of deposits by companies

1. What is the inclusive definition of 'deposit under the Companies Act?
  - (a) Any financial investment
  - (b) Receipt of money by way of deposit, loan, or any other form
  - (c) Only fixed deposits and recurring deposits
  - (d) Only loans and advances
2. Which type of deposits are fully secured by creating a charge on tangible assets?
  - (a) Variable deposits
  - (b) Secured deposits
  - (c) Nominal deposits
  - (d) Unsecured deposits
3. Who can be termed as a 'depositor' according to the Companies (Acceptance of Deposits) Rules 2014?
  - (a) Any public shareholder
  - (b) Any member of the company making a deposit
  - (c) Only the company's employees
  - (d) Any government entity
4. What defines an "eligible company" for accepting deposits from the public?
  - (a) A company with any net worth
  - (b) A company with a net worth of not less than one hundred crore rupees
  - (c) Only companies listed on the stock exchange
  - (d) Start-up companies only
5. Which companies are exempted from deposit provisions under the Companies Act 2013?
  - (a) All public companies
  - (b) Banking and Non-banking Financial Companies
  - (c) Only multinational companies
  - (d) Sole proprietorship businesses
6. For acceptance of deposits from members, what is a company required to do?
  - (a) Publish an advertisement
  - (b) Issue shares
  - (c) Pass a resolution in a general meeting
  - (d) File a lawsuit
7. How long is the circular for inviting deposits valid?
  - (a) One year
  - (b) Up to six months from the closure of the financial year it is issued
  - (c) Indefinitely until revoked
  - (d) For the duration of the deposit only
8. What is the requirement of Deposit Repayment Reserve Account for a company?
  - (a) Deposit 10% of its net profits
  - (b) Deposit at least 20% of its deposits maturing the following financial year
  - (c) Deposit the entire deposit amount received
  - (d) No deposit is required
9. What does the company need to certify regarding deposit repayment?
  - (a) Its ability to repay future deposits
  - (b) It has not committed any default in the repayment of deposits
  - (c) The creditworthiness of its depositors
  - (d) Its total deposit amount does not exceed its net worth
10. Under what condition can a private company be exempted from certain deposit provisions?
  - (a) If it operates internationally
  - (b) If it accepts monies not exceeding 100% of its paid-up share capital
  - (c) If it is not a subsidiary of any other company
  - (d) If it has a net worth of less than fifty crore rupees
11. What provision does a company have to make for repayment of deposit?
  - (a) Provide security for due repayment
  - (b) Guarantee a fixed rate of interest
  - (c) Only accept deposits from its directors
  - (d) Issue additional shares to the depositors
12. How does the definition of 'deposit in the Companies Act ensure financial responsibility?
  - (a) By including only long-term loans
  - (b) By excluding certain categories as prescribed by the RBI
  - (c) By limiting deposits to shareholders only
  - (d) By mandating government approval for all deposits
13. In what scenario would a deposit be classified as 'unsecured'?

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- (a) When it is fully covered by the company's tangible assets  
(b) If it is backed by a government guarantee  
(c) When no or partial security is made available  
(d) Only if it exceeds the company's net worth
14. Which category of amounts is specifically excluded from being considered a deposit?  
(a) Amounts received from individual investors  
(b) Funds received from foreign governments and international banks  
(c) Loans from private banks  
(d) Investments in company bonds
15. What is the significance of defining a 'depositor' in the context of company deposits?  
(a) It determines the interest rates applicable  
(b) It specifies who can legally deposit money with a company  
(c) It limits the deposit amount per depositor  
(d) It outlines the tax implications for the depositor
16. What criteria make a public company 'eligible' to accept deposits from the public?  
(a) Having a minimum of 50 shareholders  
(b) Net worth of not less than one hundred crore rupees or a turnover of five hundred crore rupees  
(c) Being operational for at least 10 years  
(d) Having deposits from international investors
17. Why are certain companies like NBFC exempted from deposit provisions of the Companies Act?  
(a) Because they do not accept public deposit  
(b) Due to their small operational scale  
(c) As they are already regulated by other specific laws  
(d) They are government-owned entities
18. Why must a company pass a resolution in a general meeting for accepting deposits from its members?  
(a) To comply with international financial regulations  
(b) For transparency and approval by the members  
(c) To decide the interest rates on deposits  
(d) To choose the type of deposits to accept
19. What purpose does the Deposit Repayment Reserve Account serve for a company?  
(a) Acts as a buffer for operational expenses  
(b) Ensures there are funds for repaying deposits  
(c) Increases the company's credit rating  
(d) Serves as collateral for taking loans
20. How does the certification of no default in repayment protect depositors?  
(a) It guarantees a fixed interest rate  
(b) Ensures the company has a good track record in repaying deposits  
(c) It increases the company's market value  
(d) Allows the company to accept unlimited deposits
21. How does providing security for deposit repayment impact the classification of the deposit?  
(a) It classifies the deposit as high risk  
(b) It changes the deposit from unsecured to secured  
(c) It increases the interest rate on the deposit  
(d) It allows the company to accept international deposits
22. If a company receives a loan from a foreign government-owned financial institution, how should this be classified according to the rules?  
(a) As a deposit                      (b) Not as a deposit  
(c) As a secured loan              (d) As a public investment
23. A company with a net worth of 120 crore rupees and a turnover of 600 crore rupees wants to accept deposits from the public. What must it first obtain according to the rules?  
(a) Approval from the majority of its board members  
(b) Consent in a general meeting by a special resolution  
(c) A high credit rating  
(d) Permission from the Reserve Bank of India
24. A banking company wishes to accept deposits from the public. Which statement is true regarding its obligations under the Companies Act?  
(a) It must follow the same provisions as any public company  
(b) It is exempted from the deposit provisions of the Companies Act  
(c) It must only accept deposits from its existing customers  
(d) It needs special permission from the Ministry of Finance
25. A company planning to accept deposits from its members must issue a circular. Which information is mandatory to include in this circular?

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- (a) The credit rating and financial position of the company  
(b) The names of all the board members  
(c) The company's future expansion plans  
(d) The list of all current shareholders
26. In case a company fails to repay a deposit, what recourse is available to the depositor?  
(a) Apply to the National Company Law Tribunal for a repayment order  
(b) Directly seize company assets equal to the deposit amount  
(c) Write off the deposit as a bad debt  
(d) Convert the deposit into company shares
27. A public company plans to accept deposits up to 40% of its aggregate paid-up share capital and free reserves. Is this compliant with the Companies Act provisions?  
(a) Yes, as long as it is an IFSC Public company  
(b) No, the limit is 35% of the aggregate of its paid-up share capital and free reserves  
(c) Yes, if it obtains special permission from its shareholders  
(d) No, unless it is a start-up company
28. A company receives funds from a foreign body corporate. According to the Companies Act, which of the following best analyzes this transaction?  
(a) It must be recorded as a secured deposit  
(b) It is considered a deposit unless exempted by specific provisions  
(c) It is not classified as a deposit under Rule 2  
(d) It should be treated as a long-term investment
29. If a company wishes to accept deposits without providing any security, how will this impact the classification and terms of the deposits?  
(a) The deposits will be classified as secured and have higher interest rates  
(b) They will be considered unsecured deposits and must be quoted as such in related documents  
(c) The deposits will be treated as special category deposits with flexible repayment terms  
(d) It will not impact the classification, only the amount of deposit accepted
30. In analyzing a company's ability to accept deposits from the public, which factor is not considered under the eligibility criteria?  
(a) The number of employees in the company  
(b) The company's net worth  
(c) The company's annual turnover  
(d) Prior consent obtained through a special resolution
31. How does the requirement for a Deposit Repayment Reserve Account influence a company's financial planning and risk management?  
(a) It forces the company to allocate funds inefficiently  
(b) It ensures there are dedicated funds for deposit repayment, reducing financial risk  
(c) It increases the company's operational costs significantly  
(d) It has no impact on risk management but affects liquidity
32. A company has previously defaulted on deposit repayments but rectified the default five years ago. How does this history affect its current capacity to accept deposits?  
(a) It cannot accept deposits until 10 years have passed since the default  
(b) The company is eligible to accept deposits as the default was rectified more than five years ago  
(c) It permanently loses the ability to accept public deposits.  
(d) It can only accept deposits from its members and not from the public
33. In a scenario where a private company is a subsidiary of a larger corporation, how does this affect its exemption status regarding certain deposit provisions?  
(a) It remains exempt as all private companies are exempt  
(b) The exemption does not apply as it is an associate or a subsidiary company  
(c) It can still be exempt if it meets specific financial criteria  
(d) The subsidiary status has no impact on its exemption status
34. When a company provides partial security for the repayment of deposits, what must be explicitly stated in the circular or advertisement for deposit invitation?

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- (a) The deposit is considered fully secured  
(b) The exact amount of security provided  
(c) That the deposits are termed as 'unsecured deposits'  
(d) The potential risks involved in unsecured deposits
35. Evaluate the effectiveness of the provision requiring companies to file a copy of the circular with the Registrar before issuing it. How does this impact corporate transparency regulatory compliance? and  
(a) It ensures transparency but adds unnecessary bureaucracy  
(b) It is critical for maintaining regulatory oversight but may delay the process  
(c) It has no significant impact on transparency or compliance  
(d) It primarily serves to inform the public rather than regulators
36. Considering a company's financial status, how would you evaluate the decision to accept unsecured deposits?  
(a) It's a high-risk decision that could affect the company's credit rating  
(b) It's a strategic move to attract more depositors  
(c) It indicates strong financial health and confidence  
(d) It's typically a sign of financial distress or lack of assets
37. Evaluate the exemption provided to certain private companies from certain deposit provisions. How does this align with the overall regulatory framework intended to protect depositors?  
(a) It aligns well by balancing regulatory oversight with operational flexibility  
(b) It creates a potential loophole for financial mismanagement  
(c) It disproportionately companies favors larger  
(d) It is in line with international standards of corporate finance
38. Create a policy for a company to manage the risks associated with accepting unsecure deposits. What key elements should this policy include?  
(a) Strict limits on the amount of unsecure deposits  
(b) High interest rates to attract more depositors  
(c) Investment in high-risk ventures to mat the risk profile  
(d) Enhanced due diligence and risk assessment procedures.
39. Design a strategy for a start-up company to leverage its exemption from certain deposit provisions effectively. What approach should it adopt?  
(a) Focus on attracting large deposits from a few investors  
(b) Utilize the exemption to maximize flexibility in fund-raising  
(c) Avoid accepting any deposits to minimize financial risk  
(d) Prioritize secured deposits over unsecured ones for stability
40. Imagine a scenario where a company needs to improve its liquidity while complying with the Deposit Repayment Reserve Account requirement. Devise a plan that balances these needs.  
(a) Increase the interest rates on deposits  
(b) Issue commercial papers to raise short-term funds  
(c) Reduce the percentage of funds allocated to the reserve account  
(d) Diversify its investment portfolio to include more liquid assets
41. Propose a framework for a company to enhance transparency and trust among its depositors while accepting and managing deposits.  
(a) Regular updates about the company's financial status to its depositors  
(b) Restricting the acceptance of deposits to existing shareholders  
(c) Offering bonuses to depositors for referrals  
(d) Limiting the use of deposits for high-risk investments
42. Develop a system for a company to evaluate and decide on the type of security to provide for deposits. What factors should this system consider?  
(a) The current market trends and investor sentiment  
(b) The company's asset base and liquidity ratio  
(c) The deposit amount and tenure  
(d) The prevailing interest rates and economic conditions
43. Which of the following is an exempted entity under the deposit provisions of the Companies Act 2013?

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- (a) Public Limited Companies  
(b) Housing Finance Companies  
(c) Start-up Companies  
(d) Foreign Companies
44. Which type of company can accept deposits from its members only and not from the public?  
(a) Public Limited Company  
(b) Private Limited Company  
(c) Government Company  
(d) Non-Banking Financial Company
45. Under which section of the Companies Act are the provisions for the acceptance of deposits from members outlined?  
(a) Section 73                      (b) Section 76  
(c) Section 80                      (d) Section 85
46. Which Act's provisions need to be considered when a company receives funds from a person resident outside India?  
(a) Companies Act, 2013  
(b) Banking Regulation Act, 1949  
(c) Foreign Exchange Management Act, 1999  
(d) Indian Contract Act, 1872
47. What type of resolution is required for an eligible public company to accept deposits from the public?  
(a) Ordinary resolution    (b) Special resolution  
(c) Board resolution        (d) Unanimous resolution
48. Which authority's provisions must a company comply with while issuing commercial paper or other instruments as per the RBI guidelines?  
(a) Securities and Exchange Board of India (SEBI)  
(b) Reserve Bank of India (RBI)  
(c) National Company Law Tribunal (NCLT)  
(d) Ministry of Corporate Affairs (MCA)
49. In which form must a statutory auditor's certificate be attached to the circular for accepting deposits?  
(a) Form DPT-1                      (b) Form DPT-2  
(c) Form DPT-3                      (d) Form DPT-4
50. Which section of the Companies Act mandates the creation of a Deposit Repayment Reserve Account?  
(a) Section 73(2)(c)              (b) Section 76 (1)  
(c) Section 80 (1)(c)              (d) Section 85 (3)
51. Analyze the significance of including both secured and unsecured deposits in the definition of 'deposits' under the Companies Act. Why is this distinction important?  
(a) It impacts the interest rate offered on deposits  
(b) It determines the company's ability to accept foreign investments  
(c) It affects the risk assessment and financial liability of the company  
(d) It is mainly for categorizing different types of shareholders
52. What is the rationale behind excluding amounts received from government sources from the definition of 'deposit'?  
(a) To encourage government investments in private companies  
(b) Because such amounts usually come with a repayment guarantee  
(c) To simplify the accounting processes for such transactions  
(d) As these amounts are typically grants or subsidies, not loans
53. How does the definition of 'depositor' under the Companies Act influence a company's deposit acceptance policy?  
(a) It restricts the policy to include only members of the company  
(b) It broadens the scope to include any public investments  
(c) It has no significant impact on the policy  
(d) It requires the company to prioritize certain depositors
54. Considering the criteria for an eligible company, how does this status affect company's financial strategy?  
(a) It restricts the company to accepting only secured deposits  
(b) It allows the company to accept deposits from the public under specific conditions  
(c) It mandates the company to invest a certain percentage of deposits in government securities  
(d) It requires the company to focus solely on internal financing
55. Why are NBFCs and banking companies exempted from the deposit provisions of the Companies Act?  
(a) Due to their inherent financial stability

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- (b) They are already regulated under other specific financial statutes
- (c) To encourage competition among financial institutions
- (d) Because they do not accept deposits from the public
56. What is the impact of a company needing to pass a resolution in a general meeting for accepting deposits from its members?
- (a) It enhances member participation in financial decisions
- (b) It is a formality with no real impact on deposit acceptance
- (c) It increases the administrative burden on the company
- (d) It limits the company's ability to accept deposits quickly
57. What is the purpose of filing the circular with the Registrar before issuing it, in the context of deposit acceptance?
- (a) To ensure legal compliance and regulatory oversight
- (b) It is a procedural requirement with no practical significance
- (c) To provide public access to the company's financial information
- (d) To get approval from the Registrar for the deposit terms
58. In the context of the Deposit Repayment Reserve Account, how does setting aside 20% of maturing deposits affect a company's financial planning?
- (a) It may constrain cash flow for operational expenses
- (b) It increases the company's overall financial reserves
- (c) It is a negligible factor in financial planning
- (d) It primarily affects the company's investment strategies
59. Evaluate the implications of a company's history of default in deposit repayment on its future deposit acceptance capabilities.
- (a) It permanently disqualifies the company from accepting deposits
- (b) It has no impact as long as the default is rectified
- (c) The company can accept deposits after a certain period post-default rectification
- (d) It limits the company to accepting only secured deposits
60. What impact does the exemption for certain private companies from deposit provisions have on their financial operations?
- (a) It provides greater flexibility in managing cash flows and investments
- (b) It limits their ability to raise funds through deposits
- (c) It mandates them to rely on external financing
- (d) It increases their reliance on shareholder funding
61. If a company decides to accept deposits without offering any security, how must it communicate this to potential depositors, and what are the implications?
- (a) By explicitly stating in the circular that deposits are unsecured, potentially affecting investor confidence
- (b) It does not need to specify the security status, as it is implied
- (c) By highlighting the high-interest rates offered on such deposits
- (d) Through a confidential agreement with individual depositors
62. A company with a net worth of 150 crore rupees and a turnover of 400 crore rupees wants to invite deposits from the public. What key steps should it take to comply with the Companies Act?
- (a) Obtain prior consent through a special resolution and file it with the Registrar
- (b) Just ensure a positive credit rating
- (c) Get approval directly from the Reserve Bank of India
- (d) Publish an advertisement in a national newspaper
63. How should a company handle a situation where it has defaulted on deposit repayments in the past but now wants to accept new deposits?
- (a) It can immediately start accepting new deposits without restrictions
- (b) Ensure the default is rectified and wait for five years before accepting new deposits
- (c) Only accept deposits from members and not from the public
- (d) Increase the interest rates to attract new depositors
64. A company plans to issue a circular to its members for deposit acceptance. What information is critical to include in this circular to comply with the Act?
- (a) The names and addresses of all the company directors
- (b) The financial position of the company and the credit rating obtained

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- (c) Future business expansion plans of the company  
(d) A list of all the company's current projects and investments
65. When a company sets up a Deposit Repayment Reserve Account, what restrictions are placed on the use of these funds?  
(a) The funds can be used for general operational expenses  
(b) They can only be used for repayment of deposits  
(c) The funds can be invested in government securities  
(d) They can be used as collateral for obtaining loans
66. If a company wants to accept deposits for a period of five months for a specific project, what should be its course of action under the Companies Act?  
(a) Proceed as it's a short-term project requirement  
(b) Modify the tenure to at least six months to comply with the Act  
(c) Seek special permission from the Reserve Bank of India  
(d) Accept the deposits as an exception due to the project's nature
67. Analyze the impact of a company's decision to only accept unsecured deposits on its financial health and investor relations.  
(a) It may lead to increased interest rates and perceived higher risk  
(b) It signifies strong financial health and attracts more investors  
(c) Has no significant impact on financial health or investor perception  
(d) Leads to reduced administrative burdens and increased deposit inflow
68. Consider a company with a net worth of 90 crore rupees and a turnover of 450 crore rupees. Analyze its eligibility to accept deposits from the public under the Companies Act.  
(a) It is eligible as it meets the turnover criteria  
(b) It is not eligible as it does not meet the net worth criteria  
(c) Eligibility depends solely on its credit rating  
(d) It can accept deposits after obtaining special permission from the RBI
69. A company wants to renew its deposits for a period beyond 36 months. Analyze the compliance of this decision with the provisions of the Companies Act.  
(a) It's compliant as long as the depositors agree  
(b) It's non-compliant as it exceeds the maximum period for deposits  
(c) Compliance depends on the company's financial stability  
(d) It's allowed with special permission from the company's board
70. Assess how the requirement for a company to create a Deposit Repayment Reserve Account influences its ability to respond to sudden financial obligations.  
(a) Enhances its ability by ensuring dedicated funds are available  
(b) Limits its flexibility due to locked funds  
(c) Has no impact responsiveness on its financial  
(d) Increases its creditworthiness, improving financial response capabilities
71. In the context of exempted companies, analyze why certain types of companies, like NBFCs, are not subject to the deposit provisions of the Companies Act.  
(a) Because they have a different regulatory framework  
(b) To promote diversity in the financial sector  
(c) As they typically do not engage in deposit activities  
(d) Due to their limited interaction with public investors
72. How does a company's decision to provide partial security for its deposits impact its risk profile and the terms offered to depositors?  
(a) Increases the risk profile, leading to higher interest rates  
(b) Reduces the risk and attracts more conservative investors  
(c) Has minimal impact on risk profile but increases administrative tasks  
(d) It leads to a diversified investor base seeking varying risk levels
73. Analyze the effects of a company failing to repay a deposit on its future capacity to accept new deposits and its overall reputation.  
(a) Severely restricts its ability to accept new deposits and damages reputation  
(b) Has a temporary impact but can be overcome with positive financial growth

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- (c) Only affects reputation among individual investors, not institutional ones
- (d) Leads to increased scrutiny from regulators but little impact on new deposits
74. Evaluate the effectiveness of the provision that allows a depositor to apply to the National Company Law Tribunal (NCLT) in case of non-repayment of a deposit. How does this safeguard depositor interests?
- (a) It provides a strong legal recourse, enhancing depositor protection
- (b) It's a lengthy process that offers limited practical benefits
- (c) It's effective only for large deposit amounts
- (d) Its effectiveness varies depending on the company's financial status
75. Considering the requirement for companies to issue a circular before accepting deposits. Evaluate how this requirement impacts investor confidence and corporate governance.
- (a) Significantly boosts investor confidence and promotes transparent governance
- (b) Has a minimal impact on confidence but improves governance
- (c) It is more of a regulatory formality than a practical tool
- (d) Overcomplicates the deposit process, potentially reducing investor interest
76. Evaluate the impact of allowing companies to accept deposits for a minimum of six months on the company's financial stability and investor relations.
- (a) Ensures a stable financial base but may limit investor options
- (b) Potentially increases short-term liquidity issues
- (c) Offers flexibility to investors, improving relations
- (d) Has no significant impact on either financial stability or investor relations
77. Assess the implications of the maximum limit of 35% of aggregate paid-up share capital, free reserves, and securities premium account on a company's deposit strategy.
- (a) Encourages prudent financial management and limits excessive reliance on deposits
- (b) Restricts a company's ability to raise funds when needed
- (c) It's an arbitrary limit with little impact on financial strategies
- (d) Benefits larger companies with significant capital and reserves
78. Evaluate the rationale behind exempting certain private companies from specific deposit provisions, such as issuing a circular and filing it with the Registrar,
- (a) It provides necessary regulatory relief, promoting entrepreneurial growth
- (b) It might create a regulatory blind spot, increasing financial risk
- (c) Has little practical impact on the company's operations
- (d) It unfairly advantages private companies over public ones
79. Design a strategy for a public company to effectively manage and communicate the risk associated with accepting unsecured deposits. What key elements should this strategy include?
- (a) Increased interest rates and frequent financial updates to depositors
- (b) Investment in high-return assets to offset the risk
- (c) Comprehensive risk disclosure in the deposit circular
- (d) Offering insurance on deposits to build depositor confidence
80. Propose a framework for a company to evaluate the potential benefits and risks of extending the tenure of its deposits beyond the standard limits. What factors should be considered?
- (a) Current market trends and economic forecasts
- (b) Impact on the company's cash flow and liquidity
- (c) The interest rate environment and depositor preferences
- (d) Regulatory implications and potential legal challenges
81. Create a policy for a company to enhance depositor engagement and trust while complying with the Companies Act provisions on deposits. What innovative approaches could be included?
- (a) Regular depositor meetings and transparent financial reporting
- (b) Bonus interest rates for long-term depositors
- (c) Implementing a depositor feedback system to improve services



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- (d) Offering depositor-exclusive benefits like early access to new products
82. Develop a plan for a company to transition from relying heavily on unsecured deposits to a more diversified deposit structure. What steps should be included?
- (a) Gradually introducing secured deposit options
  - (b) Phasing out high-risk unsecured deposits
  - (c) Engaging with institutional investors for secured funding
  - (d) Offering convertible deposits that can turn into equity
83. Imagine a scenario where a company faces a temporary liquidity crunch. Devise a strategy that complies with the Companies Act for handling deposits while addressing this crunch.
- (a) Negotiating extended repayment terms with depositors
  - (b) Issuing short-term corporate bonds to raise funds
  - (c) Utilizing a portion of the Deposit Repayment Reserve Account
  - (d) Seeking emergency funding from financial institutions
84. Identify the section of the Companies Act that specifically deals with the acceptance of deposits from members by companies.
- (a) Section 73
  - (b) Section 76
  - (c) Section 80
  - (d) Section 85
85. What is the maximum tenure permitted for a company to accept or renew deposits, according to the Companies Act?
- (a) 24 months
  - (b) 30 months
  - (c) 36 months
  - (d) 48 months
86. In the context of the Companies Act, which type of resolution is required for a public company to accept deposits from the public?
- (a) Special resolution
  - (b) Ordinary resolution
  - (c) Board resolution
  - (d) Unanimous resolution
87. Interpret the implication of a company choosing to accept only unsecured deposits under the provisions of the Companies Act. How does this decision reflect on the company's risk profile and financial strategy?
- (a) Indicates a high-risk appetite and an aggressive financial strategy
  - (b) Suggests a strong financial position and low reliance on secured assets
  - (c) Reflects a conservative approach to managing liabilities
  - (d) Implies a lack of tangible assets for securing deposits
88. How does the exemption of certain private companies from specific deposit provisions under the Companies Act align with the principle of regulatory flexibility for smaller businesses?
- (a) It provides necessary leeway for innovative funding without stringent regulatory burdens
  - (b) It creates potential risks for unsophisticated investors
  - (c) It aligns with global standards for private company regulations
  - (d) It primarily benefits companies with substantial internal funding
89. Analyze the significance of the requirement for a Deposit Repayment Reserve Account in the context of protecting depositor interests.
- (a) It acts as a financial safeguard ensuring the availability of funds for deposit repayment
  - (b) It's a regulatory formality with limited practical impact
  - (c) It primarily serves to enhance the company's creditworthiness
  - (d) It restricts the company's ability to utilize funds for operational purposes
90. In the context of accepting deposits, how does the distinction between a public and a private company under the Companies Act influence their respective deposit acceptance policies?
- (a) Public companies have more stringent requirements due to their larger public investor base
  - (b) Private companies are subject to more rigorous scrutiny due to their limited disclosure obligations
  - (c) There is no significant difference in deposit acceptance policies for public and private companies
  - (d) Private companies are allowed greater freedom in setting terms for deposits
91. Interpret the role of the National Company Law Tribunal (NCLT) in resolving disputes related to deposit

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repayments. How does this mechanism support depositor rights?

- (a) It provides a specialized legal forum ensuring quick resolution of deposit-related disputes
- (b) Its involvement is symbolic and has little practical impact on depositor rights
- (c) It often leads to prolonged legal battles, diminishing the effectiveness of depositor protection
- (d) It serves as a mediator rather than a legal authority, limiting its effectiveness

92. Evaluate the implications of the Companies Act provisions that allow a company to repay a deposit prematurely. How does this provision affect the company's financial flexibility and depositor relations?
- (a) Enhances financial flexibility but may lead to uncertainty among depositors
  - (b) It is rarely used due to stringent regulatory requirements
  - (c) Improves depositor relations by demonstrating financial strength
  - (d) Has minimal impact as such provisions are seldom invoked
93. Apply the provisions of the Companies Act to a scenario where a company with a net worth below 100 crore rupees seeks to accept deposits from the public. What steps must the company take to comply with the Act, and what limitations would it face?
- (a) The company cannot accept deposits from the public due to its net worth limitation
  - (b) It must first increase its net worth to over 100 crore rupees
  - (c) The company can proceed by obtaining a special exemption from the Reserve Bank of India
  - (d) It can accept deposits only after passing a unanimous board resolution
94. Analyze the potential impact on a company's financial stability and investor confidence if it predominantly relies on unsecured deposits for its funding needs. What are the long-term implications of such a strategy under the Companies Act?
- (a) It could lead to increased financial risk and potentially lower investor confidence due to perceived instability
  - (b) This strategy is likely to attract more investors due to higher interest rates associated with unsecured deposits

- (c) It may improve the company's liquidity in the short term but poses significant risks in times of financial stress
- (d) The reliance on unsecured deposits has minimal impact as long as the company maintains a strong credit rating

95. Assess the implications of a company deciding to extend the tenure of its deposits from 24 months to 36 months. How would this decision align with the company's financial goals and depositor expectations under the Companies Act?
- (a) This extension could be seen as a sign of financial distress, potentially unsettling investors
  - (b) Such an extension would have little impact on the company's financial goals or depositor expectations
  - (c) It aligns with a strategy of long-term financial planning and may be favorable to depositors seeking stability
  - (d) It would improve liquidity management but may require higher interest payments to depositors
96. Consider a company that has experienced a significant increase in deposits from its members. Analyze how this trend should influence the company's financial strategy and compliance with the Companies Act, particularly concerning the Deposit Repayment Reserve Account.
- (a) The company should increase its reserve account proportionally to manage potential repayment obligations effectively
  - (b) A significant increase in deposits may not necessarily impact the company's financial strategy or reserve account requirements
  - (c) The company might need to reassess its investment strategies to ensure liquidity for potential deposit repayments
  - (d) This trend should prompt the company to diversify its deposit portfolio to minimize dependence on member deposits
97. In a hypothetical scenario, a public company facing liquidity issues opts for premature repayment of deposits to its members. Simultaneously, the company decides to accept new deposits from the public to manage its financial crisis. Which of the following factors could make this situation legally complex?
- (a) The interest rate offered on the new deposits is significantly higher than that of the prematurely repaid

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deposits, leading to dissatisfaction among existing members.

(b) The company has not fulfilled certain parameters required for accepting public deposits, but proceeds anyway due to urgent financial needs.

(c) The company prioritizes repayment to members who are also part of the management, raising preferential treatment.

(d) The new public deposits are in foreign currency, complicating the company's financial statements and raising regulatory issues.