DECLARATION & PAYMENT OF DIVIDEND

1. Under the Companies Act, 2013, dividends are payable in which form?
(a) Cash only (b) Shares only
(c) Either cash or shares
(d) Either cash, shares, or property

2. What is the maximum rate of interest per annum for default in transferring the amount to the Unpaid Dividend Account?
(a) 6% p.a. (b) 12% p.a.
(c) 18% p.a. (d) 24% p.a.

3. In which type of company is the declaration and payment of dividends prohibited?
(a) Public Limited Company
(b) Private Limited Company
(c) Section 8 Company
(d) Government Company

4. What does the term "final dividend" refer to?
(a) Dividend declared between two AGM's
(b) Dividend declared at the AGM based on the annual results
(c) Dividend declared without approval of shareholders
(d) Dividend declared by the board without reference to a specific period

5. What is the penalty for a company failing to transfer the unpaid dividend to the Unpaid Dividend Account within the prescribed period?
(a) Fine of up to 21 lakh
(b) Fine of ₹500 per day of default
(c) Interest at 12% p.a. on the unpaid amount
(d) Both (b) and (c)

6. Who is entitled to the dividend as per the Companies Act, 2013?
(a) Any shareholder
(b) Registered shareholder or to his order or his banker
(c) Shareholder holding minimum 5% shares
(d) Shareholder present at the AGM

7. What is the primary objective of transferring unclaimed dividends to the Unpaid Dividend Account (UDA)?
(a) To penalize shareholders for not claiming dividends
(b) To facilitate easy access to dividends for late claimants
(c) To ensure regulatory compliance and transparency
(d) To generate additional revenue for the company

8. In the context of dividend declaration, what does 'interim dividend' signify?
(a) Dividend declared and paid after the annual financial statements are prepared
(b) Dividend declared and paid before the end of the financial year
(c) A final dividend declared, at the Annual General Meeting (AGM)
(d) Dividend paid only to preferred shareholders

9. What happens to the dividends that are not claimed within seven years from the Unpaid Dividend Account?
(a) They are forfeited back to the company
(b) Transferred to the company's general reserve
(c) Transferred to the Investor Education and Protection Fund (IEPF)
(d) Remain in the Unpaid Dividend Account indefinitely

10. What is the significance of the 'record date' in the context of dividend distribution?
(a) It's the date on which dividends are disbursed to shareholders
(b) It's the deadline for a company to declare its dividends
(c) It's the date on which shareholders must be registered to receive dividends
(d) It's the date when the dividend rate is decided

11. What is the role of the Investor Education and Protection Fund (IEPF) in relation to dividends?
(a) Manages the dividend distribution process
(b) Acts as a custodian for unclaimed dividends
(c) Re-invests dividends into profitable ventures
(d) Provides financial assistance to companies for dividend payment

12. How does the provision for dividend adjustment against dues owed by a shareholder work?
(a) Dividend amounts can be adjusted against any outstanding dues of the shareholder

(b) Adjustment is only allowed for unpaid share call money
(c) Adjustment is only permissible for long- term loans given by shareholders
(d) There is no provision for adjustment of dividends against dues

13. What is the consequence for a company if it fails to transfer unpaid dividends to the Unpaid Dividend Account within the prescribed time?
(a) The company is required to pay double the amount of dividend as a penalty
(b) The company is subjected to a fine, but no interest is charged
(c) The company pays interest at a prescribed rate on the unpaid amount
(d) The directors of the company face personal financial liability

14. How is the dividend paid if a shareholder mandates payment to be made to a specific bank account?
(a) The dividend is paid in cash at the company's registered office
(b) The dividend is directly credited to the specified bank account
(c) The dividend is cheque to the shareholder
(d) The dividend is held until the collects it in person shareholder

15. If a shareholder has not claimed their dividend within 30 days, what is the company's next step according to the Companies Act, 2013?
(a) Transfer the dividend to the general reserves
(b) Redistribute the dividend among other shareholders
(c) Transfer the dividend to the Unpaid Dividend Account
(d) Donate the dividend to a charity of the company's choice

16. How should a company proceed if it wishes to declare a dividend out of the free reserves?
(a) It can declare dividends freely without any restrictions.
(b) The company must ensure that the residual reserves do not fall below a certain percentage of the paid-up share capital.
(c) The company must obtain approval from the majority of its shareholders.
(d) The company must first transfer a portion of its profits to a government fund.

17. In a situation where a shareholder mandates dividend payment to a specific bank account, but the bank returns the payment, what should the company do according to the Companies Act 2013?
(a) The company should hold the dividend in the Unpaid Dividend Account.
(b) The company is required to immediately inform the shareholder of the non-compliance.
(c) The company should transfer the dividend amount to the Investor Education and Protection Fund.
(d) The company can keep the dividend and consider it as forfeited.

18. What action is required when a dividend remains unclaimed in the Unpaid Dividend Account for seven years?
(a) The dividend is forfeited and absorbed into the company's profits.
(b) The dividend is redistributed to current shareholders.
(c) The dividend is transferred to the Investor Education and Protection Fund.
(d) The dividend is returned to the company's free reserves.

19. Analyze the legal obligation of a company when a court order restrains the payment of dividend due to a family dispute over succession.
(a) The company should still pay the dividend to the registered shareholder.
(b) The company should hold the dividend in abeyance until the court order is lifted.
(c) The company should transfer the dividend the Unpaid Dividend Account.
(d) The company should distribute the dividend to other shareholders.

20. In the event of a discrepancy in the bank details provided by a shareholder for dividend payment, what course of action should a company take as per the Companies Act, 2013?

(a) The company should attempt to correct the discrepancy and process the payment.
(b) The company must inform the shareholder of the discrepancy.
(c) The company should hold the dividend in the Unpaid Dividend Account.
(d) The company is relieved from the obligation to pay the dividend.

21. Evaluate the appropriateness of a company's decision to declare a dividend when it has sufficient profits but has failed to repay public deposits.
(a) Appropriate, as profit sufficiency is the only criterion
(b) Inappropriate, as repayment of public deposits is a prerequisite
(c) Appropriate, if approved by the majority of shareholders
(d) Inappropriate, unless sanctioned by a court of law

22. A company declared a dividend but later discovered some discrepancies in its financial statements indicating reduced profits. Should the dividend declaration be re-evaluated?
(a) No, since the dividend was declared based on initial reports
(b) Yes, but only if the discrepancies significantly affect the profit
(c) Yes, as accurate financial reporting is mandatory before declaration
(d) No, as the dividend once declared cannot be revoked

23. Assess the decision of a company to declare dividends from its reserves while it has an ongoing project requiring significant investment.
(a) Appropriate, as dividend declaration can positively influence investor confidence.
(b) Inappropriate, as it might compromise the financial resources needed for the project.
(c) Appropriate, if the dividends are declared from a separate reserve allocated for dividends.
(d) Inappropriate, unless the project is fully funded or can be postponed without repercussions.

24. Propose a policy for a company to handle dividends if it anticipates fluctuating profits over the next few years.
(a) Establish a fixed percentage of profits to be distributed as dividends
(b) Retain a larger portion of profits in reserves to manage fluctuations
(c) Adopt a variable dividend policy based on annual profits
(d) Distribute dividends only in years with exceptionally high profits

25. Design a system for a company to ensure timely payment of dividends and avoid penalties under the Companies Act, 2013.
(a) Implement an automated payment system linked to profit calculations
(b) Assign a specific team to manage dividend declarations and payments
(c) Conduct quarterly audits to ensure compliance with dividend policies
(d) Establish a contingency fund to cover dividend payments in case of delays

26. Propose a dividend distribution policy for a company that has just turned profitable after several years of losses.
(a) Distribute minimal dividends and retain most profits for business stability.
(b) Declare substantial dividends to attract more investors.
(c) Alternate between dividend payment and retention each year.
(d) Pay dividends only to shareholders as a loyalty reward long-term

27. Design a system for a company to manage and track its dividend payments efficiently, ensuring compliance with the Companies Act, 2013.
(a) Implement an automated dividend management software that records and processes payments.
(b) Establish a manual system managed by a dedicated finance team.
(c) Use a combination of digital tracking and physical records for dividend management.
(d) Outsource dividend management to a third- party financial services provider.

28. Under the Companies Act, 2013, in which account must a company transfer the amount of dividend if it remains unclaimed for seven years?

(a) General Reserve Account
(b) Investor Education and Protection Fund
(c) Unpaid Dividend Account
(d) Special Dividend Account

29. Which section of the Companies Act, 2013, outlines the process for the declaration and payment of dividends?
(a) Section 123 (b) Section 125
(c) Section 127 (d) Section 129

30. For how many consecutive years must a company transfer its unclaimed dividends to the Investor Education and Protection Fund?
(a) 3 years (b) 5 years
(c) 7 years (d) 10 years

31. What is the purpose of the Investor Education and Protection Fund (IEPF) dividends?
(a) To reinvest unclaimed dividends
(b) To distribute unclaimed dividends current shareholders
(c) To hold and manage unclaimed divides for investor protection
(d) To finance educational programs investors

32. What is the consequence for a company it w declares dividends out of reserves without meeting the prescribed conditions?
(a) The dividends are considered invalid and must be returned.
(b) The company is subject to a fine and penal interest.
(c) The company's board of directors faces disqualification.
(d) The company is required to make a public apology.

33. In which situation can a company pay dividend out of its securities premium account?
(a) When it has insufficient profit
(b) Only after approval from shareholders in the general meeting
(c) When it is distributing bonus shares
(d) When it is issuing fully paid-up bonus shares

34. Under what circumstances can a company declare an interim dividend?
(a) Only if the company has made profits in the previous financial year
(b) Anytime during the financial year as deemed fit by the Board of Directors
(c) Only after the final dividend has been declared
(d) Only if the company's Articles of Association allow it

35. How does the payment of dividends from reserves instead of current year profits impact a company's financial statements?
(a) It increases the company's liabilities.
(b) It reduces the company's retained earning
(c) It has no impact as dividends are not an expense.
(d) It increases the company's current assets.

36. What does the term "dividend stripping" refer to in the context of corporate finance?
(a) The process of reducing dividend payouts over time
(b) Buying shares before a dividend is declared and selling them after payout
(c) Distributing dividends in the form of company assets
(d) Declaring dividends and then cancelling them before payment

37. How does declaring a dividend impact a company's share price on the ex-dividend date?
(a) The share price typically increases.
(b) The share price remains unchanged.
(c) The share price typically decreases.
(d) The impact on the share price is unpredictable.

38. In what way does a scrip dividend differ from a traditional cash dividend?
(a) A scrip dividend is paid in the form of additional shares, not cash.
(b) A scrip dividend is only offered to preferred shareholders.
(c) A scrip dividend is a mandatory dividend paid by law.
(d) A scrip dividend is paid out from the company's reserves.

39. What is the primary impact of the Dividend Distribution Tax (DDT) on corporate dividend policy?
(a) It encourages companies to retain earnings rather than distribute them as dividends.
(b) It has no impact on dividend policy as it is borne by the shareholders.

(c) It encourages companies to distribute more dividends to avoid the tax.
(d) It is a deterrent for foreign investors.

40. What role does the 'Dividend Payout Ratio' play in assessing a company's dividend policy?
(a) It indicates the percentage of earnings distributed as dividends.
(b) It shows the total amount of dividends paid in a year.
(c) It represents the fixed annual dividend amount.
(d) It reflects the company's ability to pay dividends in the future.

41. How does the 'Record Date' set by a company affect dividend eligibility for shareholders?
(a) Only shareholders who own shares on or before the record date are eligible for the dividend.
(b) All shareholders, irrespective of when they bought shares, are eligible for the dividend.
(c) Only shareholders who buy shares after the record date are eligible for the dividend.
(d) The record date is irrelevant for dividend eligibility.

42. What is the significance of the 'Cum Dividend' period in the context of stock trading?
(a) It is the period when the stock is traded without the dividend included.
(b) It is the period when the stock is traded along with the right to receive the upcoming dividend.
(c) It refers to the time when a company is evaluating its ability to pay dividends.
(d) It is the period after the dividend has been paid and the stock price adjusts accordingly.

43. What does the 'Ex-Dividend Date' signify in the process of dividend distribution?
(a) The date on which the dividend is actually paid to shareholders.
(b) The last date on which shares must be purchased to be eligible for the dividend.
(c) The date on which the dividend amount is determined.
(d) The first date on which new buyers of the stock will not receive the declared dividend.

44. If a company has declared dividends but subsequently incurs significant operational losses, what steps should it take regarding the dividend payment?
(a) Proceed with the dividend payment as declared.
(b) Revise the dividend amount based on the new financial situation.
(c) Postpone the dividend payment until the next financial year.
(d) Convert the cash dividend into a stock dividend.

45. In case of a dispute regarding the rightful ownership of dividends, what is the most appropriate action for a company to take?
(a) Pay the dividends to the shareholder listed in the company's register.
(b) Withhold payment until the dispute is legally resolved.
(c) Deposit the dividend amount into a court's custody.
(d) Pay the dividend to the claimant with a legal directive.

46. When a company realizes it has declared dividends in error due to miscalculated profits, what corrective action is advised?
(a) The dividend declaration should be retracted immediately.
(b) Adjust the error in the next financial year's dividend declaration.
(c) Inform the shareholders and seek their opinion on the matter.
(d) Proceed with the dividend payment to maintain shareholder trust.

47. If a company wants to declare dividends but has pending statutory dues, what should be its priority according to the Companies Act, 2013?
(a) Declare and distribute dividends as planned.
(b) Clear statutory dues before declaring dividends.
(c) Divide available funds between dividends and statutory dues.
(d) Seek a waiver for statutory dues from the appropriate authority.

48. Analyze the impact of a company consistently using its reserves for dividend payments instead of profits from the current financial year
(a) It may indicate robust financial health with strong reserves.
(b) It could lead to a reduction in the company's investment capacity.
(c) It shows the company's commitment to shareholder returns.

(d) It has no significant impact as long as dividends are paid.

49. Evaluate the effect of a high dividend payout ratio on a company's long-term growth prospects.
(a) It positively impacts growth as it attracts more investors.
(b) It may hinder growth due to limited funds for reinvestment.
(c) It has no correlation with the company's growth prospects.
(d) It accelerates growth by increasing the company's market value.

50. How does the declaration of dividends from accumulated profits affect a company's working capital?
(a) It increases working capital by reducing liabilities.
(b) It has no effect on working capital.
(c) It decreases working capital by reducing available cash.
(d) It optimizes working capital by balancing assets and liabilities.

51. Analyze the potential risks of a company declaring dividends during a period of financial uncertainty.
(a) It might lead to cash flow problems.
(b) It could improve the company's credit rating.
(c) It may increase the company's share price.
(d) It has no significant risks if the company has sufficient reserves.

52. Consider a company that declares dividends despite having a significant amount of outstanding debt. What could be the potential impact on its financial stability?
(a) It improves financial stability by demonstrating confidence to shareholders
(b) It could lead to a liquidity crisis
(c) It has no impact as dividends and debt are unrelated.
(d) It might increase the company's ability to raise more debt.

53. Evaluate the impact on a company's financial health if it regularly declares dividends without generating sufficient operational profits.
(a) It may lead to depletion of reserves and financial instability.
(b) It will attract more investors and improve the company's market position.
(c) It has minimal impact as dividends can be paid from reserves.
(d) It enhances the company's reputation for shareholder value.

54. Consider a company that pays dividends consistently despite having a high debt-to-equity ratio. What are the possible consequences of this approach?
(a) It could strain the company's financial resources.
(b) It demonstrates strong commitment to shareholder returns.
(c) It may improve the company's credit rating.
(d) It has no direct impact on the company's debt situation.

55. Propose a dividend policy for a newly listed company that aims to balance shareholder returns with business growth.
(a) Declare high dividends in the initial years to attract investors.
(b) Adopt a policy of low but gradually increasing dividends.
(c) Link dividend payouts to a fixed percentage of profits.
(d) Offer dividends only after achieving a set

56. Design a framework for a company to assess and adjust its dividend payouts in response to significant changes in the market or economy.
(a) Establish a fixed dividend payout ratio regardless of market changes.
(b) Regularly review and adjust dividends based on a combination of profitability, cash flow, and market conditions
(c) Suspend dividends during market downturns and reinstate them during recoveries.
(d) Base dividend decisions solely on the company's annual profits.

57. In which case did the Supreme Court rule on the legality of a company's decision to not declare dividends despite having adequate profits?
(a) Bharat Petroleum Corporation Ltd. vs. Mumbai Shramik Sangh

(b) Infosys Ltd. vs. Union of India
(c) Reliance Industries Ltd. vs. Stock Exchange Board of India
(d) Tata Motors Ltd. vs. Shareholders Association

58. Interpret the legal implications for a company that declares dividends despite having pending statutory liabilities.
(a) The company can face legal action for misappropriation of funds.
(b) The company's directors may be held personally liable.
(c) The dividend declaration is considered valid under corporate law.
(d) It has no legal implications as long as dividends are paid from profits.

59. What is the impact on a company's financial statements when it issues stock dividends?
(a) Decrease in retained earnings and increase in share capital.
(b) Increase in both retained earnings and share capital.
(c) No impact on financial statements as it is a non-cash transaction.
(d) Increase in liabilities due to the issuance of new shares.

60. If a company realizes post-dividend declaration that it has pending employee provident fund dues, what course of action should it take?
(a) Proceed with the dividend payment as declared.
(b) Revise the dividend declaration to allocate funds for the provident fund dues.
(c) Delay the dividend payment until the provident fund dues are cleared.
(d) Seek legal advice on prioritizing between dividend payment and statutory dues.

61. In a scenario where a company's projected profits do not materialize post-dividend declaration, what should be the immediate step?
(a) Re-assess the dividend declaration and consider revising it.
(b) Obtain a short-term loan to cover the dividend payment.
(c) Proceed with the dividend payment and cover the shortfall from reserves.
(d) Cancel the dividend and inform the shareholders of the situation.

62. How should a company proceed if it discovers an accounting error that inflated its profits after declaring dividends?
(a) Rectify the error and adjust future dividends accordingly.
(b) Proceed with the declared dividends and correct the error in the next financial statement.
(c) Inform the shareholders and seek their approval for any adjustments.
(d) Revoke the dividend declaration and issue an apology to the shareholders.

63. Assess the potential financial risks for a company that opts for high dividend payouts during a period of substantial capital expenditure.
(a) It may lead to a shortage of funds for capital projects.
(b) It could enhance the company's market reputation and attract more investors.
(c) It has no significant risk as long as the company has adequate reserves.
(d) It might necessitate additional borrowing, increasing financial leverage.

64. Analyze the long-term implications for a company that consistently pays dividends from its reserves rather than its profits.
(a) It could lead to eventual depletion of reserves, impacting future dividend payments.
(b) It demonstrates a strong commitment to shareholder value.
(c) It has no implications as long as the company maintains adequate reserves.
(d) It company's may enhance creditworthiness by showing consistent payouts.

65. Analyze the implications for a company that decides to continue paying dividends during a period of declining market share and increased competition
(a) This decision may strain the company's financial resources, limiting its ability to invest in competitive strategies.
(b) Maintaining dividend payments can enhance investor confidence, potentially offsetting the negative market perception.

(c) The decision has no direct correlation with market competition and should not impact the company's competitive position.
(d) Paying dividends during such a period is likely to attract new investors, thereby increasing the company's market share.

66. Evaluate the decision of a company to significantly increase its dividend payout ratio in a year of exceptionally high profits.
(a) It's a sound decision reflecting the company's success.
(b) It risks setting unsustainable dividend expectations for future years.
(c) It's advisable to retain the profits for future investment opportunities.
(d) It should be balanced with the need to maintain adequate reserves.

67. Assess the impact on shareholder perception if a company with stable profits decides to reduce its dividend payout to fund an expansion project.
(a) It might negatively affect shareholder confidence in the short term.
(b) It is likely to be viewed positively as an investment in future growth.
(c) It may lead to a decline in the company's stock price.
(d) Shareholders typically favor reinvestment over dividend payouts.

68. Develop a dividend strategy for a technology startup that has just become profitable but needs to reinvest most of its earnings for R&D and expansion.
(a) Declare dividends minimal and communicate the reinvestment strategy to shareholders.
(b) Offer stock options instead of dividends to retain earnings.
(c) Pay regular dividends to attract and retain investors.
(d) Distribute dividends only in years with surplus profits after covering R&D and expansion costs.