

5. DEPOSITS

Q.1 A) Select the correct answer from the options given below and rewrite the statements.

1. Deposit is a type of

a) Owned capital

b) Short term loan

c) Long term loan

2) Eligible public company and Government Company can collect deposits from

a) It's employees

b) Public

c) RBI

3. Private company can accept deposits from its member or Directors up to not more than

..... % of its aggregate of paid-up share Capital and free reserves.

a) 100

b) 35

c) 25

4. A Company can accept deposits from public not exceeding 35% of its paid-up share Capital and free reserves.

a) Government

b) Private

c) Eligible Public

5. Deposit can be accepted for a minimum of 6 months and maximum for months.

a) 36

b) 3

c) 30

6. Company issues to invite its members to subscribe for its deposit scheme.

a) Advertisement

b) Circular

c) Newspaper

7. Company can issue circular or advertisement for inviting deposits after days of filing it with Registrar of Companies.

a) 30

b) 21

c) 7

8. Company has to appoint to protect the interest of depositors.

a) Debenture Trustees

b) Deposit Trustees

c) Credit Rating Agency

9. Charge on assets is to be created when a company issues

a) Unsecured deposit

b) Unsecured Debenture

c) Secured deposit

10. Deposit Receipt is issued within days of receipt of deposit.

a) 7

b) 30

c) 21

11. For premature repayment of deposit, company deducts % of interest.

a) 1

b) 18

c) 20

12. Return of deposit must be filed every year on or before

a) 30th June

b) 31st March

c) 30th April

B) Match the pairs.

Group 'A'	Group 'B'
a) Private Company	10% of aggregate of paid-up share Capital

	+ free reserves
b) Deposit Trust Deed	Signed at least 7 days before issuing advertisement
c) Secured Deposit	Maximum 30 months
d) Tenure of deposit	Charge on tangible assets
e) Return of Deposit	100% aggregate of paid-up share capital + free reserves
	File on or before 31st March every year
	Signed 21 days after issuing advertisement
	Maximum 36 months
	Charge on intangible assets
	File on or before 30th June every year

Ans:

Group 'A'	Answers
a) Private Company	100% aggregate of paid-up share capital + free reserves
b) Deposit Trust Deed	Signed at least 7 days before issuing advertisement
c) Secured Deposit	Charge on tangible assets
d) Tenure of deposit	Maximum 36 months
e) Return of Deposit	File on or before 30th June every year

C) Write a word or a term or a phrase which can substitute each of the following statements.

1. A company which can accept deposits from its members, directors or their relatives not exceeding 100% of aggregate of paid up share capital and free reserves.

Ans: private Company

2. Company which can accept deposits from public up to 35% of its paid-up share capital and free reserves.

Ans: Government Company

3. Minimum tenure of a deposit.

Ans: 6 month

4. Maximum tenure of a deposit.

Ans: 36 months

5. Period within which a company has to create a charge on its tangible assets.

Ans: Within 30 days of acceptance of deposits.

6. Document issued by a company to invite its members to subscribe for its Deposits.

Ans: Circular

7. Agreement between company and Deposit Trustee.

Ans: Deposit Trust Deed

8. Account that can be used only for repaying deposits

Ans: Deposit Repayment Reserve Account

9. Time within which company has to issue deposit Receipt.

Ans: Within 21 days from date of receipt of deposit

10. Book which contains details of deposits accepted or renewed.

Ans: Register of Deposit

D) State whether the following statements are true or false.

1. Return of deposit must be filed every year on or before 31 March.

Ans: False

2. Eligible public company can collect deposits from its members.

Ans: True

3. Government company can collect deposits from its members.

Ans: False

4. A private company can collect deposits from public.

Ans: False

5. Deposit can be accepted for a maximum of 36 months.

Ans: True

6. Eligible public company can collect deposits from public not exceeding 35% of its paid up share capital and free reserves.

Ans: False

7. For secured deposits, company has to create a charge on its tangible assets.

Ans: True

8. Deposit Receipt is issued within 21 days of receipt of deposits.

Ans: True

9. Company appoints Credit Rating Agency to protect the interest of depositors.

Ans: False

10. Deposit Trust Deed is an agreement between company and Deposit Trustee.

Ans: True

E) Find the odd one of depositors.

1. Private company, Eligible public company, Government company.

Ans: Private company

2. Deposit Trustee, Deposit Trust Deed, Special Resolution.

Ans: Special Resolution

(3) Appointment of Deposit Trustee, Appointment of Registrar of companies, Appointment of Credit Rating Agency.

Ans: Appointment of Registrar of companies

F) Complete the sentences.

Answers:

1. Deposit is a type of **Short term loan** term loan.

2. Eligible Public company and Govt. Company can accept deposits from **Public** .

3. To collect deposits from public, Eligible public company must have a net worth of not less than **₹100 crores** .

4. A Government company can accept deposits from public not exceeding **35% of its**

paid-up share capital and free reserves .

5. Deposits can be accepted or renewed for a period not less than 6 months and not more than **36 months** .

6. Company cannot accept or renew deposits repayable on **Demand** .

7. Premature repayment of deposits can be done by a company but not before **3 months**

8. To invite the public to subscribe for its deposits, a company issues **Advertisement** .

9. Agency which gives ratings of the deposits of a company is called **Credit Rating Agency** .

10. Account which is used only for repaying deposits is called **Deposit Repayment Reserve Account** .

G) Select the correct option from the bracket.

Group 'A'	Group 'B'
a) Government Company	1) <u>Deposit from public</u>
b) <u>Private Company</u>	2) Deposits from members
c) 36 months	3) <u>Maximum tenure of Deposit</u>
d) <u>Secured Deposit</u>	4) Charge on tangible assets
e) Return of deposit	5) <u>File on or before 30th June</u>

(File on or before 30th June, Private Company, Secured deposits, Deposits from public, Maximum tenure of deposits.)

H) Answer in one sentence.

(1) Which companies can accept deposits from public ?

Ans. Eligible public and government companies can accept deposit.

(2) What is the maximum deposit the Government company can collect ?

Ans. The maximum deposit the Government company can collect is not more than 35% of paid up capital and free reserves.

(3) What is the tenure of a deposit ?

Ans. The tenure of deposit is not less than 6 months and not more than 36 months.

(4) Who are Deposit Trustees ?

Ans. Deposit Trustees are the trustees who protect the interest of the Depositor.

(6) What is Deposit Trust Deed?

Ans. The Deposit Trust deed contains the terms and conditions agreed upon or between

the company and the Trustee.

(6) When does a company create charge on its tangible assets?

Ans. Company create charge on assets when company wants to issue secured debentures or deposits.

(7) Within what period should a company issue Deposit Receipt ?

Ans. Company has to issue deposit receipts within 21 days. file Return of

(8) When should a company Deposit ?

Ans. Company should file Return of Deposits on or before 30th June, every year.

(9) What is Deposit Repayment Reserve Account ?

Ans. Deposit Repayment Reserve Account is an account opened by company only for repayment of deposit money.

(10) What is Register of Deposit?

Ans. Deposit Register is a register having details like Name of the Depositors, Address, Investment period, repayment, etc.

I) Correct the underlined word/s and rewrite the following sentences.

(1) Government Company can accept deposit from members.

Ans. Government Company can accept deposit from public

(2) Company issues advertisement to invite its members for subscribing to its deposits.

Ans. Company issues circular to invite its members for subscribing to its deposits.

(3) Company appoints Credit Rating Agency to protect the interest of Depositors.

Ans. Company appoints Deposit Trustees to protect the interest of Depositors.

(4) Deposit Receipt is issued within seven days from date of receipt of deposits.

Ans. Deposit Receipt is issued within 21 days from date of receipt of deposits.

(5) Register of deposits is to be filed with the Registrar of companies on or before 30th June every year.

Ans. Return of deposit is to be filed with the Registrar of companies on or before 30th June every year.

(6) Charge on assets is created when company issues unsecured deposit.

Ans. Charge on assets is created when company issues secured deposit.

(7) Minimum tenure of deposit is 36 months.

Ans. Minimum tenure of deposit is 6 months.

J. Arrange in proper order.

1.

a. Appoint Deposit Trustee.

b. Hold General Meeting.

c. Create charge on assets.

Ans: (b) Hold General Meeting.

(a) Appoint Deposit Trustee.

(c) Create charge on assets.

2.

a. File Return of deposit

b. Issue Deposit Receipt

c. Issue advertisement.

Ans: (c) Issue advertisement.

(b) Issue Deposit Receipt

(a) File Return of deposit

3. a. Obtain Credit Rating:

b. Entries in Register of Deposits.

c. Issue Deposit Receipt.

Ans: (a) Obtain Credit Rating.

(c) Issue Deposit Receipt.

(b) Entries in Register of Deposits.

Q.2 Explain the following terms / concepts.

1. Eligible Public Company.

Ans: (1) Eligible public company can accept deposits from members and public.

(2) Eligible company under section 76(1) of Companies Act, 2013 means:

A company having net worth* of not less than Rs one hundred crores or

Turnover* of not less than Rs five hundred crores.

(2) Tenure of Deposit.

Ans. (1) Deposits can be accepted for a minimum period of 6 months and maximum

period of 36 months.

(2) However, for short term requirements, deposits up to 10% of aggregate paid up capital, free reserves and securities premium account can be accepted for period of less than six months but not less than three months Rule 3(2) of Companies (Acceptance of Deposits) Rules, 2014.

(3) Secured Deposit.

Ans. (1) A company can accept secured or unsecured deposit which should be clearly mentioned in every circular, form, advertisement or in any document related to invitation or acceptance of deposits.

(2) If company intends to issue Secured Deposits, it shall create security in favour of trustees within 30 days of acceptance of deposits. Trustees should ensure about security of depositors. If there is any default in repayment, trustees should organize meeting of depositors - Rules 6 to 8 of Companies (Acceptance of Deposits) Rules, 2014.

(4) Deposit Trustee.

Ans. (1) Every company inviting deposits under section 73, of Companies Act 2013, shall appoint deposit trustees for creating security for its deposits, which shall be mentioned on the circular. A written consent shall be obtained from the trustee before their appointment.

(2) A deposit trust deed has to be signed at least 7 days before issue of the circular. Deposit trustees cannot be removed after issue of circular / advertisement and before the expiry of his term except with unanimous consent of all directors present at the meeting of the Board, which shall include an independent director, if any.

(5) Charge of Tangible Assets.

Ans. (1) Every company accepting deposits from the public shall create a charge on its tangible assets of an amount not less than the amount of deposits accepted in favour of the deposit holders in accordance with such rules as may be prescribed.

(2) The charge should be created within 30 days from accepting the deposits. The minimum amount of security should be equal to the amount not covered by Deposit Insurance. The security is created in favour of the Deposit Trustee.

(6) Deposit Insurance.

Ans. (1) Company enters into an agreement with Insurance Company for taking Deposit Insurance. A company needs to take Deposit Insurance at least 30 days before date of circular / advertisement or its renewal.

(2) Insurance is to be taken, if the amount of deposit plus interest is up to 20,000. Insurance above 20,000 per depositor Rs 20,000 insurance.

(7) Deposit Repayment Reserve Account

Ans: (1) A sum not less than 20% of the amount of its deposits maturing during a financial year shall be deposited in a separate bank account in a scheduled bank. For this, a company has to open an account called as 'Deposit Repayment Reserve Account'.

(2) The amount should be deposited on or before 30th April each year. The 'Deposit Repayment Reserve Account' shall be used by the company only for purpose of repayment of deposits.

(8) Credit Rating.

Ans. (1) Every company accepting deposits from public shall obtain the credit rating (including its net worth, liquidity and ability to pay its deposits on due date) from a recognised credit rating agency.

(2) The rating shall be obtained for every year during the tenure of deposits. Copy of the credit rating shall be submitted to ROC.

(9) Deposit Receipt.

Ans. (1) Company has to issue Deposit Receipt to every deposit holder within 21 days from receipt of the money or realization of cheque or date of renewal.

(2) The receipt has to be signed by the officer duly authorized by the Board of Directors. The receipt contains:

The name and address of the depositor, Amount of deposit, Rate of interest payable and Date on which it is repayable

(10) Return of Deposit.

Ans. (1) Company has to file annual return of deposits with Registrar before 30th June every year, with fees.

(2) The Return gives detail of deposit with the company as on 31st March of that year.

Q.3 Study the following case/situation and express your opinion.

(1) Apple Company Ltd. plans to raise funds through Public Deposits. Its net worth is 10 Crores.

(a) Can they accept deposits from the public?

Ans. No, they cannot accept deposits from the public. As per the rule any public

company having net worth of Rs 100 crore or more can accept deposits from the public. Infact, this company can accept deposits from its members or directors.

(b) Can they accept deposits which matures after 4 years?

Ans. As per the rules, deposit period should not less than 6 months and more than 36 months. Thus, they cannot accept deposits which matures after 4 years.

(c) Within what period should the company issue deposit receipt to its depositors?

Ans. Company should issue Deposit Receipt to the depositors within twenty one (21) days from date of receipt of money or realization of cheque. The receipt has to be signed by the officer duly authorized by the Board of Directors.

(2) ABC Company Ltd. is an eligible Public Company as per the Companies Act, 2013 with reference to accepting Public Deposits.

(a) Can the company accept deposits in joint names?

Ans. Yes. Company can accept deposits in joint names of depositors. But there should not be more than 3 names.

(b) Can the company accept deposits from its members?

Ans. ABC Company Ltd. is an eligible Public Company as per the Companies Act, 2013. Thus, it can accept the deposits from its members as well as from public.

c. Can the company issue secured deposits ?

Ans. Yes. The company can issue secured deposits. If a company offers secured deposits, it has to create a charge on its tangible assets within 30 days of acceptance of deposits.

(3) Apple Company Ltd. is an eligible Public Company. It plans to raise secured deposits from the public. Please advise its Board on the following.

(a) Does the company need to get shareholders' approval for accepting deposits?

Ans. Yes. The company needs to get shareholders' approval for accepting deposits. For this, Board of Directors can pass a resolution in general meeting for the approval of accepting deposits.

(b) Does the company have to appoint a Debenture Trustee?

Ans. Yes. The company have to appoint a Debenture Trustee. This is because, if the company wants to issue secured deposits, then it is compulsory to appoint Debenture Trustee.

(c) Within what period should the company create a charge on its assets?

Ans. The company has to create a charge on its tangible assets within 30 days of acceptance of deposits.

(4) SUN Pvt. Ltd. Company wants to raise funds through deposits.

(a) Can the company accept deposits from the public?

Ans. No, the company cannot accept deposits from the public. This is because, SUN Pvt. Ltd. is a private limited company and it cannot accept deposits from the public. Only eligible public company and government companies can accept deposits from the public.

(b) Which document should the company issue to invite deposits? Ans. In the above case, SUN Pvt. Ltd. is a private limited company. Thus, it should issue circular to invite deposits from its members..

(c) What is the maximum period for which they can accept deposits?

Ans. The maximum period of accepting deposits is 36 months. Thus, it can accept deposits for the maximum period of 36 months.

Q.4 Answer in brief.

(1) State the amount of deposits that different types of companies can collect by way of deposits.

Ans: The amount of deposits that different types of companies can collect by way of deposits is as follows:

1. Amount of Deposit :

A) Private Company : A Private Company can accept deposits from its members or Directors or Relatives of Directors not more than 100 percent of its aggregate of paid up share capital and free reserves.

However, certain class of Private Companies as specified by the Companies Act, can accept deposits more than 100 percent of its aggregate of paid up share capital and free reserves.

B) Public Company (other than Eligible Company) : These Companies cannot accept fresh deposit from members if the amount of such deposits together with the previous

deposits exceeds 25% of the aggregate of the paid up share capital and free reserves of the company

C) Eligible Public Company :

- An 'Eligible Company', i.e. company eligible to accept deposits from public under section 76(1) of Companies Act, 2013, can accept deposits up to 25% of paid up capital, free reserves and securities premium account from public.
- In addition, it can accept deposits up to 10% of aggregate of paid up share capital, free reserves and securities premium account from members Rule 3(4) of Companies (Acceptance of Deposits) Rules, 2014.

(d) Government Company:

A Government company is eligible to accept deposits under section 76 of Companies Act, 2013.

It can accept deposits up to 35% of paid up capital, free reserves and securities premium account From public.

2. State the contents of circular or Advertisement for Deposit.

Ans: Circular or Advertisement: If a company invite deposits from its members, it issues a circular. But if it invites deposits from the public, company has to issue an advertisement.

a) Contents of circular or advertisement:

- i) Statement about the financial position of the company
- ii) The portion of secured and unsecured deposit of fresh issue
- iii) Credit rating obtained from a Credit Rating Agency (only for eligible public company)
- iv) Details of the scheme
- v) Name of Deposit Trustees
- vi) Amount due towards deposits of any previous deposits accepted by company.

b) Filing of circular or advertisement with Registrar of Companies: Company has to file a copy of circular or Advertisement signed by all directors with the Registrar of Companies.

c) Issue of circular or Advertisement : Only after 30 days of filing a copy of circular or Advertisement with the Registrar of Companies, the company can issue the circular or advertisement.

Company can send the circular to the members through registered post, speed post or as email.

For inviting the public, company has to publish the advertisement in one English newspaper and one vernacular newspaper having wide circulation in the state where the company's registered office is located.

d) Validity of circular or advertisement : The circular or advertisement is valid for 6

months from the end of the financial year in which it was issued or the date on which the Annual General Meeting was held, whichever is earlier.

3. State the provisions regarding appointment of Deposit Trustee.

Ans: The provisions regarding Appointment of Deposit Trustee are explained as follows : When issuing secured deposits, eligible companies

and public companies have to appoint one or more Deposit Trustees. The Trustees protect the interest of the depositor in case a company defaults in repaying the depositors. Company signs a contract with the Deposit Trustees called as Trust Deed. It contains the terms and conditions of the contract. The deed has to be signed at least 7 days before issuing the circular or advertisement.

The Deposit Trustee on its own or on the request of one tenth of depositors, can call a meeting of all depositors when a company defaults in repaying deposits.

4. State any four terms and conditions regarding acceptance of Deposit.

Ans: *(We have provided 20 points. Students can write any 4 points.)*

TERMS AND CONDITIONS FOR ACCEPTANCE OF DEPOSITS:

1. Amount of Deposit :

A) Private Company : A Private Company can accept deposits from its members or Directors or Relatives of Directors not more than 100 percent of its aggregate of paid up share capital and free reserves.

However, certain class of Private Companies as specified by the Companies Act, can accept deposits more than 100 percent of its aggregate of paid up share capital and free reserves.

B) Public Company (other than Eligible Company): These Companies cannot accept fresh deposit from members if the amount of such deposits together with the previous deposits exceeds 25% of the aggregate of the paid up share capital and free reserves of the company

C) Eligible Public Company :

i) From the Members:

Cannot accept fresh deposits if the amount of such deposits together with the previous deposits exceeds 10% of aggregate of paid up share capital and free Reserves.

ii) From Public: Cannot accept fresh deposits if the amount of such deposits together with the previous deposits exceeds 25% of aggregate of paid up share capital and free Reserves.

D) Government Company can accept deposits from public not exceeding 35% of the paid up share capital and free reserves of the company.

2. Period / Tenure of Deposit : No deposit can be accepted or renewed which is to be repaid within a period of six months or more than thirty six months.

In certain circumstances, a company may accept deposits repayable earlier than six months to meet its short term needs. Such deposits must have a tenure of minimum three months and the amount of such deposits cannot be more than 10% of aggregate of the paid up share capital and free reserves of the company. Under certain circumstances, on the request of the depositor, company makes premature repayment of deposits. Company may also renew its deposits with the same terms of issue and it will be considered as fresh deposits.

3. No demand deposit : Company cannot accept or renew deposits repayable on demand.

4. Secured or Unsecured Deposit : A company can accept secured or unsecured deposit which should be clearly mentioned in the circular or advertisement inviting deposits. If company offers secured deposits, it has to create a charge on its tangible assets within 30 days of acceptance of deposits.

5. Application Form : A company has to provide application form. It should contain a declaration by the applicant that the deposit he is making is not made out of any money borrowed by him from another person.

6. Joint names : Company can accept deposits in joint names of depositors. But there should not be more than 3 names.

7. Nomination : Every depositor at any time, has the right to nominate any person as nominee in the event of death of the depositor

8. Circular or Advertisement : If a company invites deposits from its members, it issues a circular. But if it invites deposits from the public, company has to issue an advertisement.

a) Contents of circular or advertisement:

- i) Statement about the financial position of the company
- ii) The portion of secured and unsecured deposit of fresh issue
- iii) Credit rating obtained from a Credit Rating Agency (only for eligible public company)
- iv) Details of the scheme
- v) Name of Deposit Trustees
- vi) Amount due towards deposits of any previous deposits accepted by company

b) Filing of circular or advertisement with Registrar of Companies :

Company has to file a copy of circular or Advertisement signed by all directors with the Registrar of Companies.

c) Issue of circular or Advertisement : Only after 30 days of filing a copy of circular or Advertisement with the Registrar of Companies, the c...

Q.5 Justify the following statements.

1. All companies cannot accept deposits from public.

Ans. Justification:

- (1) Eligible Public company, having net worth of around Rs 100 crores or more or turnover of Rs 500 crores can only accept deposits from the public. Government company can also accept deposits from the public.
- (2) Whereas, Public company can accept deposits from its members or directors only. Private company can accept deposits from its members, directors or relatives of directors only.
- (3) An eligible public company can invite or accept deposits from the public only after the publication of an advertisement.
- (4) Advertisement inviting deposits must be published in English and vernacular language. The advertisement has to be signed by majority of directors or their authorized agents. Thus, all companies cannot accept deposit from public.

(2) There is a limit or restriction on the amount that a company can collect as Deposits.

Ans. Justification:

- (1) Private company can accept deposits from its members not exceeding 100% of the aggregate of the paid-up share capital and free reserves.
- (2) A Public company can accept deposits up to 25% of aggregate of paid up capital, free reserves and securities premium account.
- (3) An Eligible company can accept deposits up to 25% of paid up capital, free reserves and securities premium account from public. In addition, it can accept deposits up to 10% of aggregate of paid up share capital, free reserves and securities premium account from members.
- (4) A Government company is eligible to accept

deposits under section 76 of Companies Act, 2013. It can accept deposits up to 35% of paid up capital, free reserves and securities premium account from public. Thus, it is rightly justified that, there is a limit or restriction on the amount that a company can collect as deposits.

(3) Company has to fulfill certain provisions related to issue of circular or advertisement.

Ans. Justification:

- (1) If a company invite deposits from its members, it issues a circular. But if it invites deposits from the public, company has to issue an advertisement.
- (2) Company has to file a copy of circular or advertisement with Registrar of Companies.
- (3) The Company can issue circular or advertisement, only after 30 days of filing a copy of circular or advertisement with Registrar of Company (ROC).

(4) While issuing secured deposits, company has to appoint Deposit Trustee.

Ans. Justification:

- (1) A company can accept secured or unsecured deposits which should be clearly mentioned in every circular, form, advertisement or in any document related to invitation or acceptance of deposits.
- (2) If company intends to issue Secured Deposits, it shall create security in favour of trustees within 30 days of acceptance of deposits. Trustees should ensure about security of depositors.
- (3) If there is any default in repayment, trustees should organize meeting of depositors.
- (4) Thus, it is rightly justified that, while issuing secured deposits, company has to appoint Deposit Trustee.

(5) Companies have to create a charge on their tangible assets while issuing secured deposits.

Ans. Justification:

- (1) Every company accepting deposits from the public shall create a charge on its tangible assets of an amount not less than the amount of deposits accepted in favour of the deposit holders in accordance with such rules as may be prescribed.
- (2) The charge should be created within 30 days from accepting the deposits.
- (3) The minimum amount of security should be equal to the amount not covered by Deposits Insurance. The security is created in favour of the Deposit Trustee.
- (4) Thus, it is rightly justified that, companies have to create a charge on tangible assets while issuing secured deposits.

(6) Company issuing deposit must open Deposit Repayment Reserve Account.

Ans. Justification:

- (1) A company has to open an account called as "Deposit Repayment Reserve Account" for issuing deposits.
- (2) A sum not less than 20% of the amount of its deposits maturing during a financial year shall be deposited in a separate bank account in a scheduled bank.
- (3) The amount should be deposited on or before 30th April each year. The Deposit Repayment Reserve Account shall be used by the company only for the purpose of repayment of deposits.
- (4) Thus, it is rightly justified that, company issuing deposit must open Deposit Repayment Reserve Account.

Q.6 Answer the following questions.

- (1) Explain the type of companies that can raise deposits along with the maximum amount they can raise as deposits.**

Ans. Type of companies that can raise deposits along with the maximum amount they can raise as deposits are as follows:

(a) Private Company:

A private company can accept deposits from its members not exceeding 100% of the aggregate of the paid-up share capital and free reserves.

It can file details of such deposits to the Registrar in such manner as may be specified

(b) Public Company (Other than Eligible Company) :

Both public and private companies can accept deposits from members.

A public company can accept deposits up to 25% of aggregate of paid up capital, free reserves and securities premium account

Rule 3(4) of Companies (Acceptance of Deposits) Rules, 2014.

For your understanding: • Words 'securities premium account' have been inserted w.e.f. 15-9-2015.

(c) Eligible Public Company:

An 'Eligible Company', i.e. company eligible to accept deposits from public under section 76(1) of Companies Act, 2013, can accept deposits up to 25% of paid up capital, free reserves and securities premium account from public.

In addition, it can accept deposits up to 10% of aggregate of paid up share capital, free reserves and securities premium account from members Rule 3(4) of Companies (Acceptance of Deposits) Rules, 2014.

(d) Government Company: A Government company is eligible to accept deposits under section 76 of Companies Act, 2013.

It can accept deposits up to 35% of paid up capital, free reserves and securities premium account from public.

(2) Explain the provision related to circular or advertisement for inviting deposits.

Ans. If a company invite deposits from its members, it issues a circular. But if it invites deposits from the public, company has to issue an advertisement. The provisions related to circular or advertisement for inviting deposits are as follows:

(a) Contents of circular or advertisement: Statement about the financial position of the company.

The portion of secured and unsecured deposits of fresh issue.

Credit rating obtained from a Credit Rating Agency (only for eligible publiccompany).

Details of the scheme. Name of Deposit Trustees.

Amount due towards deposits of any previous deposits accepted by company.

(b) Filing of circular or advertisement with Registrar of Companies: Company has to file a copy of circular or advertisement with Registrar of Companies.

The advertisement or circular shall be signed by majority of directors or their authorized agents.

(c) Issue of circular or advertisement: The Company can issue circular or advertisement, only after 30 days of filling a copy of circular or advertisement with Registrar of Company (ROC).

A company can send the circular to all its members by registered post, speed post or electronically.

In addition, the company has to publish the circular as advertisement in newspapers in English and vernacular language.

(d) Validity of Circular or Advertisement: The circular or advertisement shall be valid till expiry of six months from date of closure of financial year or till financial statement of company is laid before AGM of the company, whichever is earlier. After that, fresh circular or advertisement should be published Rule 46) of Companies (Acceptance of Deposits) Rules, 2014.