

**5.1 Acceptance of deposits****5.2 Terms and conditions for acceptance of deposits****5.3 Procedure for accepting deposits from public****5.4 Procedure for accepting deposit from Members****INTRODUCTION :**

Accepting deposits from the public or from its own members is one of the sources of raising funds for a company. It is cheaper to raise funds through deposits. Moreover, there is no dilution of control as it is a type of short term loan taken by the company. However accepting deposits can be a risky option for a company in case it defaults in repaying the deposits. (Meaning and definition of Public Deposit was discussed in chapter 2.) In this chapter we will learn which companies can collect deposits, the terms and conditions to be fulfilled and the procedure to collect deposits from members and public.

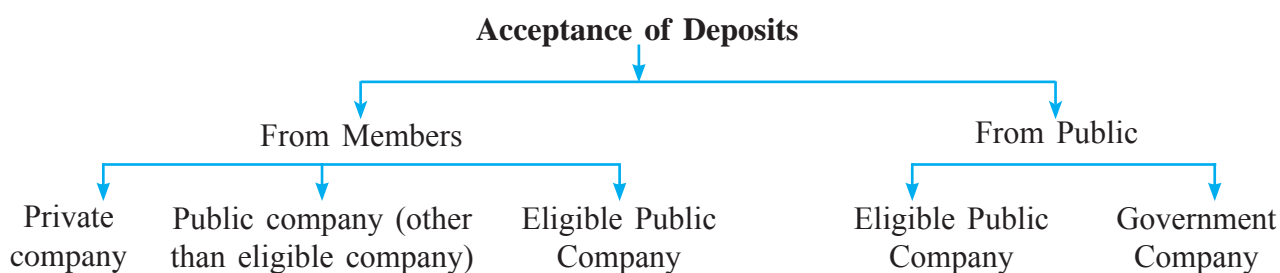
**5.1 ACCEPTANCE OF DEPOSIT.**

All companies, accepting deposits, except :

- i) A Banking Company
- ii) A Non-Banking Finance Company (NBFC)
- iii) A Housing Finance Company and,
- iv) Such other company as the Central Government will specify have to comply with the provisions of (a) Section 73 to 76 of Companies Act, 2013 (b) Companies (Acceptance of Deposits) Rules 2014 and (c) Directives issued by Reserve Bank of India regarding acceptance of deposits.

**Directives :** Official instruction.

Following chart shows which companies can collect deposits from members and from public.



- **Private Company :** A private company can accept deposits from its members or Directors or relatives of Directors.
- **Public Company (Other than eligible company) :** These companies can accept deposits from its members or directors.
- **Eligible Public Company :** These companies can accept deposits from their members and also from the public. Eligible public company means a company having :
  - a) A Net worth of not less than ₹ 100 crores or,

- b) Turnover of not less than ₹ 500 crores and which has obtained prior approval of its shareholders through special resolution for accepting public deposits.

- i) *Net worth* = Total of paid up capital + Free Reserves + Securities Premium Account after deducting accumulated losses deferred expenses and miscellaneous expenses not written off.
- ii) *Turnover* - Income from sales for a particular period.

## 5.2 TERMS AND CONDITIONS FOR ACCEPTANCE OF DEPOSITS :

### 1. Amount of Deposit :

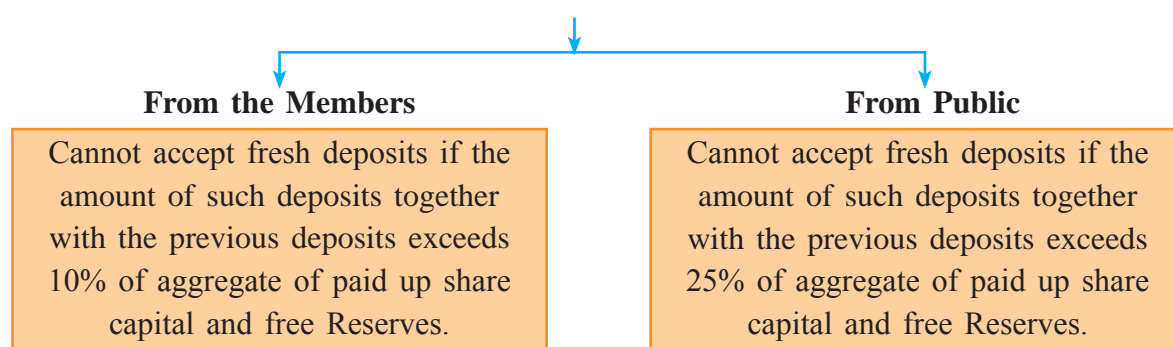
**A) Private Company :** A Private Company can accept deposits from its members or Directors or Relatives of Directors not more than 100 percent of its aggregate of paid up share capital and free reserves.

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 35% of the aggregate of the paid up share capital and free reserves of the company.

**C) Eligible Public Company :**

#### Eligible Public Company :



**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

a 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 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.

**9. Appointment of Deposit Trustee :** 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.

- 10. Create charge on assets :** A Company accepting secured deposits from public, within thirty days of acceptance, has to create a charge on its tangible assets for an amount not less than the amount of deposits accepted. 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 trustees.

- 11. Deposit Insurance :** A company needs to take Deposit Insurance at least 30 days before issue of circular or advertisement. If the amount of Deposit plus interest on it is up to ₹ 20,000, insurance is to be taken.
- 12. Obtain credit rating :** Every company has to get credit rating of its deposits and include the ratings in the circular or advertisement. The Credit Rating Agency considers the net worth of the company, liquidity position, ability to repay deposits on time etc. and accordingly gives a rating. Rating shall be obtained every year during the tenure of the deposits.
- 13. Open Deposit Repayment Reserve Account :** Every company accepting deposits, has to open in a scheduled Bank, a Deposit Repayment Reserve Account. Every year, on or before 30th April, company has to deposit an amount not less than 20% of the amount of deposits maturing during the current year and following financial year. This account can be used only for repaying deposit.

***Scheduled Banks :** Scheduled banks are included in the second schedule of RBI Act, 1934. These banks satisfy certain criteria laid by RBI and enjoy certain facilities of RBI. e.g. Scheduled banks are SBI, Bank of India, Dena Bank, etc.*

**Note :** Point 8 (a) and (b), 10 and 13 is not applicable to private companies which accepts deposits from its members not exceeding 100% of aggregate of its paid up capital and Free Reserves.

- 14. Deposit Receipt :** Company has to 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. The Receipt contains the name and address of the depositor, amount of deposit, rate of interest payable and date on which it is repayable etc.
- 15. Register of Deposit :** A company has to maintain a separate Register for deposits accepted or renewed at its registered office. The details of the deposit along with the details of the depositors should be entered in the Register of Deposits within seven days from the date of issue of Deposit Receipt.
- 16. Return of Deposit :** A company has to file, on or before 30th June every year, with the Registrar of Companies a Return of Deposit. The Return gives details of deposits with the company as on 31st March of that year.
- 17. Interest :** The maximum rate of interest on deposits depends upon guidelines given by Reserve Bank of India from time to time. In case of premature repayment of deposits, company can deduct 1% interest from the rate of interest stated at the time of acceptance of deposit.

For deposits matured and claimed but remains unpaid by company, the company has to pay a penal rate of interest at the rate 18% for the overdue period.

- 18. Right to alter the Terms and Conditions :** A company cannot either directly or indirectly alter the terms and conditions of the deposit, Deposit Trust Deed and Deposit Insurance contract, once the circular or advertisement is issued and deposits are accepted by the company.
- 19. Disclosure in financial statements :** A company has to disclose in its financial statement, by way of notes, the money received from Directors (or relatives of Directors, in case of a private company).
- 20. Punishment :** As per the Companies Act, an officer of the company who is in default for contravention of the provisions of the Act is punishable for fraud.

The Maharashtra Government has passed the Maharashtra protection of Interest of Depositors (in Financial establishments) Act, 1999 to protect the interest of depositors. Companies in Maharashtra will be punished for contravening the provisions of this Act also.

***Additional Information :***

***Difference between Loans and Public Deposits :*** *Loans - Means any sum borrowed by a company. It has to be repaid instantly or when demanded by the lender.*

***Deposits - Sum borrowed by company but repaid only on fixed maturity date.***

### **5.3 PROCEDURE FOR ACCEPTING DEPOSITS FROM PUBLIC**

Only eligible Public companies can accept deposits from public. Following is the procedure to be followed for accepting deposits from the public :

- 1. Hold Board Meeting :** Board meeting is held to pass a resolution to accept deposits from public. The details of amount of deposit, terms and conditions of issue, etc. are decided in this meeting. Also the date and time to hold a general meeting of the shareholders to get their approval for collecting deposits is decided in this Board Meeting.
- 2. Hold a General Meeting :** Company holds a General Meeting of the shareholders to seek their approval for accepting deposits. A Special resolution is passed and it has to be filed with the Registrar of Companies and if needed with RBI also.
- 3. Hold Board Meeting :** Board meeting is held to approve the draft advertisement. All necessary information as needed under the Act should be included in the advertisement. The draft should be signed by majority of Directors of the company.
- 4. Appoint Banker :** Company has to appoint a banker where the applicants will be submitting their application form along with deposit money.
- 5. Obtain Credit Rating :** Company has to obtain a credit rating from a recognized Credit Rating Agency. This rating should be mentioned in the advertisement.
- 6. Appoint Deposit Trustee :** Company has to appoint one or more Deposit Trustees. The Deposit Trust deed contains the terms and conditions agreed upon or between the company and the Trustee. The deed has to be signed at least 7 days before issuing the advertisement.
- 7. Take Deposit Insurance :** Company enters into an agreement with the Insurance Company for taking Deposit Insurance. The agreement should be signed at least 30 days before issuing the advertisement.

8. **File a copy of advertisement with Registrar of companies :** A copy of the advertisement has to be filed with the Registrar of Companies. 30 days after filing it with the Registrar the company can publish the advertisement.
9. **Advertisement to the public :** Company has to issue the advertisement after 30 days of filling it with the Registrar of Companies. The advertisement has to be published in one English newspaper and one vernacular newspaper having wide circulation in the state where the company's registered office is located.
10. **Upload the advertisement on the company's website :** After releasing the advertisement to the public, it has to be uploaded on the company's website.
11. **Collect application form and money :** Company informs the banker to collect the application forms along with the deposit money.
12. **Issue Deposit Receipt :** Company has to issue Deposit Receipt within 21 days from the date of receipt of money or realization of cheque.
13. **Create charge on assets :** Company issuing secured deposits has to create a charge on its assets within 30 days of acceptance of deposit.
14. **Make entries in Register of Deposits :** Within seven days from the date of issue of Deposit Receipts, Secretary has to enter the details of deposits collected in the Register of Deposits. The entries have to be verified by authorized officer.
15. **File Return of Deposits with Registrar of Companies :** Company has to file a Return on Deposit before 30<sup>th</sup> June every year. The return has details of Deposits with company as on 31<sup>st</sup> March.

#### 5.4 PROCEDURE FOR ACCEPTING DEPOSITS FROM MEMBERS :

The following is the procedure to accept deposits from members :

1. **Hold Board Meeting :** Secretary arranges for a Board Meeting. In the Board Meeting decision regarding amount of deposit, terms of issue of deposit, etc. and date to hold a general meeting to seek shareholders' approval is decided.
2. **Hold a General Meeting :** To seek the approval of share holders for accepting deposits, company holds a general meeting of share holders. The special resolution passed is to be filed with the Registrar of Companies.
3. **Hold Board Meeting :** After getting share holders' approval, a Board meeting is held to approve the draft of circular for inviting applications for deposits from members. The draft should be signed by majority of the Directors of the company.
4. **Appoint Banker :** Company appoints a Banker to collect the application forms and the deposit money.
5. **Obtain Credit Rating :** Company approaches a credit rating agency to rate its deposit. The rating given by the Agency must be mentioned in the circular.
6. **Appoint Deposit Trustee :** Company appoints Deposit Trustees. The Trust deed is signed at least 7 days before issuing the circular.
7. **Take Deposit Insurance :** Company takes Deposit Insurance at least 30 days before issuing the circular.



- 8. File a copy with Registrar of Companies :** A copy of the circular is filed with the Registrar of Companies. After 30 days of filing, the company can issue the circular.
- 9. Issue circular to members :** Company has to send the circulars to members after 30 days of filing it with Registrar. It is sent by registered post, speed post or email. Company may even publish the circular in newspapers.
- 10. Upload circular on company's website :** An eligible public company has to upload the circular on company's website. Whereas, it is optional for a private company and other public companies.
- 11. Collect application form and money :** Company informs the bank to collect the application form along with the deposit money.
- 12. Issue of Deposit Receipt :** Company has to issue Deposit Receipt within 21 days from the date of receipt of the money or realisation of cheque.
- 13. Create charge on assets :** If a company accepts secured deposits, it has to create a charge on its assets within 30 days of acceptance of deposits
- 14. Make entries in Register of Deposits :** Within 7 days from the date of issues of Deposit Receipt secretary has to enter the details of deposits collected in the Register of Depositors. It has to be signed by an authorised officer.
- 15. File Return of Deposits :** Company has to file a Return of Deposit before 30<sup>th</sup> June every year. The Return has details of Deposits with the company as on 31<sup>st</sup> March.

**Activity :**

- (1) Find out the various credit Rating Agencies in India.
- (2) Find out any 5 Top performing companies fixed Deposit ratings given by credit Rating agency.

**SUMMARY**

- Raising funds through deposits is a cheap source for raising short terms loan for a company. Also there is no dilution of control.
- Private company, Public company (other than eligible company) and eligible public company can collect deposit from its members.
- Eligible public companies and Govt. companies can collect deposits from the public.
- Companies collecting deposits must comply with :
  - a. Sections 73 to 76 of Companies Act, 2013.
  - b. Companies (Acceptance of Deposits) Rules, 2014.
  - c. Directives issued by RBI regarding acceptance of deposits.
- **All companies have to comply with following the terms and conditions for acceptance and renewal of Deposits.**

➤ **Amount of Deposit**

Type of Company	Collected From	% of paid-up share capital and free Reserve
i. Private Company	Members and Directors	Upto 100%
ii. Public Company (other than eligible company)	Members	Upto 35%
iii. Eligible Public Company	Members and Public	Upto 10% Upto 25%
iv. Government Company	Public	Upto 35%

➤ **Period / Tenure of Deposit :**

- Minimum 6 months, maximum 36 months.
- Premature repayment - after minimum 3 months.
- Company can also renew Deposit with same terms and conditions of issue.
- Company cannot accept deposits repayable on demand made by depositor.
- Deposit can be secured or unsecured. For secured deposits, a charge on company's tangible assets is created.
- Application form has to be issued by company and must have a declaration by investor.
- Deposit can be in Joint names but not more than 3.
- Nomination can be done at any time by depositor.
- Circular - issued to invite members
- Advertisement - issued to invite public
  - (i) Contents - must have all information
  - (ii) Filing - with Registrar of companies
  - (iii) Issue - after 30 days of filing with Registrar of companies.
  - (iv) Validity upto 6 months from the end of financial year of issue or date of AGM, whichever is earlier.
- Deposit Trustee - One or more Deposit Trustees to be appointed by company if it is issuing secured deposits. Trust Deed has to be signed atleast 7 days before issuing circular or advertisement.
- Charge on assets to be created if secured deposit is issued by company within 30 days of acceptance of deposits from public.
- Deposit Insurance to be taken atleast 30 days before issue of circular or advertisement  
For Deposit + Interest upto ₹ 20,000 – full insurance  
For amounts above ₹ 20,000 – per depositor ₹ 20,000 – Insurance
- Obtain credit Rating from a Credit Rating Agency for its Deposit and mention the rating in circular/ advertisement.
- Open Deposit Repayment Reserve Account in a scheduled Bank - Every year on or before 30<sup>th</sup> April, company has to deposit minimum 20% of the amount of deposits maturing during the year. This account is used to repay the deposits.



- Issue Deposit Receipt within 21 days from date of receipt of deposit money.
- Register of Deposit - details to be entered within 7 days from date of issue of Deposit Receipt.
- File Return of Deposit on or before 30<sup>th</sup> June every year with Registrar of companies with details of deposit as on 31<sup>st</sup> March of that year.
- Interest on (i) premature repayment - 1% less and (ii) deposits matured and claimed but remains unpaid - penal rate of interest of 18% p.a.
- Company cannot alter any terms and conditions of issue of deposits, Trust Deed and Deposit Insurance contract after the issue of Circular / advertisement.
- Disclose in financial statements, as notes, amount received from Directors or Relatives of Directors.
- Officer in default punishable for fraud.
- Company has to follow the prescribed procedure for accepting deposits from the public or from its members.

### EXERCISE

#### **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 upto 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) 30<sup>th</sup> June      b) 31<sup>st</sup> March      c) 30<sup>th</sup> April

**B) Match the pairs.**

Group 'A'		Group 'B'	
a)	Private Company	1)	10% of aggregate of paid-up share Capital + free reserves
b)	Deposit Trust Deed	2)	Signed at least 7 days before issuing advertisement
c)	Secured Deposit	3)	Maximum 30 months
d)	Tenure of deposit	4)	Charge on tangible assets
e)	Return of Deposit	5)	100% aggregate of paid-up share capital + free reserves
		6)	File on or before 31 <sup>st</sup> March every year
		7)	Signed 21 days after issuing advertisement
		8)	Maximum 36 months
		9)	Charge on intangible assets
		10)	File on or before 30 <sup>th</sup> 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.
2. Company which can accept deposits from public up to 35% of its paid-up share capital and free reserves.
3. Minimum tenure of a deposit.
4. Maximum tenure of a deposit.
5. Period within which a company has to create a charge on its tangible assets.
6. Document issued by a company to invite its members to subscribe for its Deposits.
7. Agreement between company and Deposit Trustee.
8. Account that can be used only for repaying deposits.
9. Time within which company has to issue deposit Receipt.
10. Book which contains details of deposits accepted or renewed.

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

1. Return of deposit must be filed every year on or before 31<sup>st</sup> March.
2. Eligible public company can collect deposits from its members.

3. Government company can collect deposits from its members.
4. A private company can collect deposits from public.
5. Deposit can be accepted for a maximum of 36 months.
6. Eligible public company can collect deposits from public not exceeding 35% of its paid-up share capital and free reserves.
7. For secured deposits, company has to create a charge on its tangible assets.
8. Deposit Receipt is issued within 21 days of receipt of deposits.
9. Company appoints Credit Rating Agency to protect the interest of depositors.
10. Deposit Trust Deed is an agreement between company and Deposit Trustee.

**E) Find the odd one.**

1. Private company, Non-Eligible public company, Government company.
2. Deposit Trustee, Deposit Trust Deed, Special Resolution.
3. Appointment of Deposit Trustee, Appointment of Registrar of companies, Appointment of Credit Rating Agency.

**F) Complete the sentences.**

1. Deposit is a type of ..... term loan.
2. Eligible Public company and Govt. Company can accept deposits from .....
3. To collect deposits from public, Eligible public company must have a net worth of not less than ₹ .....
4. A Government company can accept deposits from public not exceeding .....
5. Deposits can be accepted or renewed for a period not less than 6 months and not more than .....
6. Company cannot accept or renew deposits repayable on .....
7. Premature repayment of deposits can be done by a company but not before .....
8. To invite the public to subscribe for its deposits, a company issues .....
9. Agency which gives ratings of the deposits of a company is called .....
10. Account which is used only for repaying deposits is called .....

**G) Select the correct option from the bracket.**

Group 'A'		Group 'B'	
a)	Government Company	1)	.....
b)	.....	2)	Deposits from members
c)	36 months	3)	.....
d)	.....	4)	Charge on tangible assets
e)	Return of deposit	5)	.....

(File on or before 30<sup>th</sup> 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 ?
2. What is the maximum deposit the Government company can collect ?
3. What is the tenure of a deposit ?
4. Who are Deposit Trustees ?
5. What is Deposit Trust Deed?
6. When does a company create charge on its tangible assets ?
7. Within what period should a company issue Deposit Receipt ?
8. When should a company file Return of Deposit ?
9. What is Deposit Repayment Reserve Account ?
10. What is Register of Deposit?

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

1. Government Company can accept deposit from members.
2. Company issues advertisement to invite its members for subscribing to its deposits.
3. Company appoints Credit Rating Agency to protect the interest of Depositors.
4. Deposit Receipt is issued within seven days from date of receipt of deposits.
5. Register of deposits is to be filed with the Registrar of companies on or before 30<sup>th</sup> June every year.
6. Charge on assets is created when company issues unsecured deposit.
7. Minimum tenure of deposit is 36 months.

**J. Arrange in proper order.**

1. a. Appoint Deposit Trustee.  
b. Hold General Meeting.  
c. Create charge on assets.
2. a. File Return of deposit  
b. Issue Deposit Receipt  
c. Issue advertisement.
3. a. Obtain Credit Rating.  
b. Entries in Register of Deposits.  
c. Issue Deposit Receipt.

**Q.2 Explain the following terms / concepts.**

- |                                      |                       |
|--------------------------------------|-----------------------|
| 1. Eligible Public Company           | 2. Tenure of Deposit  |
| 3. Secured Deposit                   | 4. Deposit Trustee    |
| 5. Charge on tangible assets         | 6. Deposit Insurance  |
| 7. Deposit Repayment Reserve Account | 8. Credit Rating      |
| 9. Deposit Receipt                   | 10. Return of Deposit |

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

1. Apple Company Ltd. plans to raise funds through Public Deposits. It's net worth is ₹ 10 Crores.
  - a. Can they accept deposits from the public ?
  - b. Can they accept deposits which matures after 4 years.
  - c. Within what period should the company issue deposit Receipt to it's depositors ?
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 ?
  - b. Can the company accept deposits from it's members ?
  - c. Can the company issue secured 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 ?
  - b. Does the company have to appoint a Debenture Trustee ?
  - c. Within what period should the company create a charge on it's assets ?
4. SUN Pvt. Ltd. company wants to raise funds through deposits.
  - a. Can the company accept deposits from the public ?
  - b. Which document should the company issue to invite deposits ?
  - c. What is the maximum period for which they can accept deposits ?

**Q.4 Answer in brief.**

1. State the amount of deposits that different types of companies can collect by way of deposits.
2. State the contents of circular or Advertisement for Deposit.
3. State the provisions regarding appointment of Deposit Trustee.
4. State any four terms and conditions regarding acceptance of Deposit.

**Q.5 Justify the following statements.**

1. All companies cannot accept deposits from public.
2. 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.
4. 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.
6. 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.
2. Explain the provisions related to circular or advertisement for inviting deposits.

