

What will you learn in this chapter ?

- 6.1 Meaning and Definition of Prospectus
- 6.2 Importance of Prospectus
- 6.3 The Contents to be included in the Prospectus
- 6.4 The provisions of the Companies Act regarding issuance of Prospectus
- 6.5 Liabilities for the misrepresentation in the Prospectus
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 - 6.7.1 Importance of Minimum Subscription
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Introduction

Capital is the source of any business. If the area of work of a company is in large it requires huge capital. At the time of incorporation of a company, it does not have capital of its own. This capital is collected by a public company from the public through shares or other securities. Before investing capital in such companies, minute investigation is done by public and unless there is complete satisfaction and sufficient information investors do not invest in companies. In order to provide necessary information of a company to the public at large the investors, the company issues a document which is known as **Prospectus**. In other words, **A document through which an invitation is extended by public company to the public at large to purchase shares or debentures of the company is called Prospectus.**

6.1 Meaning and definition of Prospectus

In simple language **Prospectus** means advertisement. Prospectus is an invitation given by a company through a document to public at large to purchase its share capital, debentures or other securities in order to raise capital.

Definition : Prospectus means any document described or issued as prospectus and includes a red herring prospectus or shelf prospectus or any notice, circular, advertisement or other document inviting offers from the public for the subscription or purchase of any securities of a body corporate.

Prospectus means a public document giving invitation to the public at large to purchase the securities of a company.

Thus, the circular issued by the promoters of a company after incorporation of the company in order to attract/purchase its shares or debentures to the public is known as prospectus, in which Red herring prospectus and shelf prospectus are also included.

From the above facts, the following characteristics of a prospectus can be traced :

- (1) Prospectus is an invitation published by a company.
- (2) The public is given invitation to purchase securities through the prospectus.
- (3) Prospectus should be in the nature of notice, circular or public advertisement.
- (4) Prospectus should be in written form.

6.2 Importance of Prospectus

Prospectus is an important document for the public at large making investment because relying upon this document the investor decides to invest in the company. For this very reason all the information mentioned in the prospectus must be correct and real. Hence, prospectus is a document

presenting fiduciary relationship (relationship of trust) with the public at large. The significance of the prospectus can be more understood from the following points :

- (1) In the prospectus the information about the name of the company, the kind of share capital, the working area of company, future plans are given.
- (2) Information regarding main officers of a company are provided in the prospectus.
- (3) The purpose of this document is to inform the public at large. There should not be any misrepresentation or misleading information in it as the same amounts to breach of trust on the investors who have relied upon the company. Special provisions are kept in the Companies Act to prevent false/misleading statements in the prospectus.
- (4) The officers who have given such false, misleading statement or information in the prospectus of a company are held liable.
- (5) The presentation of true financial situation of a company in its prospectus gives idea of reality to the investor.
- (6) In the prospectus there is a mention about the possible risks of a project of a company. As a resultant effect investor can take appropriate decision.

Therefore it is said that Prospectus should be unambiguous and clear as well as transparent like water.

6.3 Matters to be Stated in the Prospectus

Prospectus is an important document inviting public at large to make investment in a company. As per the provisions of the Companies Act, 2013 the following matters are to be included in the prospectus :

- (1) Name of a Company
- (2) Address of Registered Office of a Company
- (3) Names and addresses of Company Secretary, Chief Financial Officer, Auditor, Legal Advisors, Banker, Trustee, Guarantor Brokers and other specified persons.
- (4) The dates of opening and closure of the subscription, Allotment of securities and Time limit for payment of money
- (5) Statement of Promoters to the effect that the company will open a separate account in a Bank and the entire fund would be kept in it.
- (6) All information about the under-writer Contract
- (7) Consent of the Promoters, Auditors, specific Bankers, Experts and all other concerned officers.
- (8) Information about the authorised officer regarding subscription and the resolution regarding it.
- (9) The schedule about the process of distribution regarding securities.
- (10) Capital structure of a company as per the Companies Act.
- (11) The purpose of Public Subscription, conditions and other relevant matters.
- (12) The main object of a company and its present business, the place of business and the schedule of implementation of its project
- (13) Regarding project :
 - (a) The idea of promoters and risk factors in it.
 - (b) Waiting period for the project
 - (c) The development in the project
 - (d) Time for completion of the project
 - (e) Information regarding any pending suit, legal proceedings or filing of a suit or legal proceeding against a promoter by Government Department during, of past 5 years from the date of publication of the prospectus.

- (14) Information about the Minimum Subscription, information regarding the amount to be paid as premium, information about issuing of any share except cash.
- (15) Information about the Board of Directors, their appointment, remuneration and the details about their interest in the company, if any.
- (16) Information about the contribution of the promoters.
- (17) The following additional information is required to be given by such companies having business in existence :
 - (a) Profit-loss statement of the company, Final Balance-Sheet, report of auditor regarding it.
 - (b) Profit-loss information of past five years before publication of prospectus, Reports of Ancillary Branch
 - (c) Information regarding the business in which direct or indirect use of the obtained securities is to be utilized.
- (18) Statement to the effect that the contents of the prospectus are not violating the Companies Act, Securities Contract Act, 1956 or the SEBI Act, 1992.
- (19) The date written in the prospectus will be considered as the date of publication of the prospectus.

6.4 Provisions of the Companies Act Regarding Issuance of the Prospectus

The following are the main provisions regarding the issuance of the Prospectus :

- (1) Unless all the provisions pertaining to the registration of the Prospectus are complied with, the Registrar of Companies will not make registration of the Prospectus.
- (2) The date which is written in the prospectus will be considered as the date of publication of the prospectus.
- (3) No person shall be allowed to publish prospectus on behalf of the company before presenting it to the Registrar of Companies.
- (4) Each person whose name is shown in the prospectus must put his signature prior to making registration before the Registrar.
- (5) If Registrar needs details regarding any information stated in the prospectus, he should be provided such information in an information statement.
- (6) Written consent of each person shown in the prospectus is required to be attached.
- (7) The statement of the Expert person shown in the prospectus is to be taken as well as his written declaration to the effect that he has no interest in the company.
- (8) Printed copy of the prospectus is required to be given to the Registrar.
- (9) Prospectus has to be published within 90 days from the date of its registration. If it is published after 90 days, it is declared illegal.
- (10) Before registration of prospectus a statement is to be given before the Registrar of Companies stating therein that the Provisions of the Companies Act are complied with and there is no breach of the Security Contract Regulation Act and provisions of the SEBI Act.
- (11) No application forms can be published without Mini Prospectus for Securities purchase of a Company.

6.5 Liability for the Misrepresentation in the Prospectus

The prospectus is an important document giving invitation to the public to make investment in the shares or debentures of a company. In case of any misrepresentation, fraudulent advertisement or exaggerated statements made in the prospectus, the authorised officials of the company are held responsible. Misrepresentation means :

- (1) The statements made with reference to the contents of the prospectus is misleading.
- (2) In order to mislead the reader necessary information is not provided in the prospectus.
- (3) By using ambiguous words in the prospectus, an attempt is made to mislead the public.

Thus, for such misleading or exaggerated presentation made in the prospectus, the liability of the company arises. Such liability may be of two types : (1) Civil Liability, (2) Criminal Liability.

6.5.1 Civil Liability : If any person who has invested in a company relying upon the published prospectus of a company sustains loss, he may initiate civil proceedings against the company for getting compensation for his loss and the company is liable to give him the damages (compensation for loss). This is called Civil Liability. Thus, due to misrepresentation made in the prospectus, if anyone sustains financial loss, the following persons are liable to compensate the same :

- (1) The persons who were directors of the company at the time when prospectus was published.
- (2) The directors who have consented to put their names in the prospectus.
- (3) The promoters of the company .
- (4) The officer authorised by the company to publish the prospectus.
- (5) Person whose name is mentioned for giving opinion as an expert in the prospectus.

6.5.2 Criminal Liability : To give deliberate misrepresentation in the prospects and cause financial loss is considered as criminal offence. In this type of liability the officers of the company can be punished with imprisonment or fine or both. The very purpose of making misleading statement is to fraudulently tempt to invest or attempt to tempt to invest the persons in a company. For such incidents strict provisions for punishment are made under law.

(1) Liability of Other Offences Regarding Information of the Prospectus

- (a) If the prospectus is not of the legal character or the necessary information are not provided therein, the Director or authorised person can be held responsible.
- (b) Prospectus can be published only after getting it registered before the Registrar. There should be date and signature of authorised persons in the prospectus. If the above formalities are not complied with, the person responsible for the publication of prospectus may be punished with fine.
- (c) If the provisions regarding the statements of experts are not complied with , the person who has published the prospectus is liable for fine.

(2) Liability for the Breach of Trust and Cheating :

If any person knowingly makes careless statements or false promise, conceals material facts, dishonestly hides something and thereby attracts others to invest in the shares or debentures of a company, he can be held liable for the offences of Criminal Breach of Trust or Cheating and be punished with imprisonment or fine or both.

6.6 Duties of Secretary for the Prospectus

The company gathers capital from the investors by issuance of prospectus. The information provided in the prospectus should be true and trustworthy, and it should not be misleading. Prospectus should be a transparent document. For that Secretary has to play very important role which is as given below :

- (1) To arrange the meeting of a committee which is assigned the work to prepare the prospectus by the directors, to prepare minutes of such meeting, to provide all administrative help to this committee. Sometimes this work is assigned to Solicitor. When such work is assigned to the solicitor, the secretary should provide all help by remaining in contact with them.
- (2) To call meeting of the Board of Directors after preparation of the draft of Prospectus for obtaining its approval and to provide all information about the provisions of the Companies Act.

- (3) To get the prospectus printed and to send a copy thereof to the Registrar of Companies for registration after preparation and approval of the prospectus by the Board of Directors in a meeting.
- (4) Before registration of prospectus,
 - (a) it should be verified whether date is written or not
 - (b) it is the duty of the secretary to verify whether all the information and reports are included as per the Companies Act or not.
- (5) It is also the duty of the secretary to send a copy of the prospectus to the Directors whose names are mentioned in the prospectus.
- (6) If the names of the Experts are to be printed in the prospectus, their written consent is required to be obtained.
- (7) Written consent of the persons should be taken, whose names are mentioned as Auditor of Company, Legal Advisor, Solicitor and Banker in the Prospectus.
- (8) The applications cannot be published for shares and debentures. However, with the Mini Prospectus application forms can be attached. Therefore, arrangement should be made to print application forms along with Mini Prospectus.
- (9) To make arrangement for dispatching the Mini Prospectus and application forms to the Guarantee Brokers with whom the arrangement is made.
- (10) The amount of the shares received has to be deposited in a separate account of a scheduled bank, such account should be opened.
- (11) The arrangement should be made to give proper advertisement in various newspapers for opening of subscription of shares.
- (12) Arrangement should be made to register the shares which are published in the Share Market.
- (13) Secretary has to see that after registration of Prospectus, the same is published within 90 days.

6.7 Minimum Subscription

“The minimum amount of share purchase required in order to start proper business as per its wish is called Minimum Subscription.”

The amount of Minimum Subscription is not anywhere defined under the Companies Act. But as per the guide line prescribed by SEBI - if the Company had not made underwriting contract with underwriters minimum subscription should be 90% issued capital. In order to sustain the financial prosperity and to sustain the credibility of company before the public minimum subscription is essential. If minimum subscription is not received by the company as per prospectus company cannot allot securities.

6.7.1 Importance of Minimum Subscription : In order to secure the interest of the investors the provisions of Minimum Subscription is made in the Companies Act. Distribution of Securities can be done only when the amount of Minimum Subscription is received.

Some dishonest or inexperienced directors establish a company with insufficient capital. As a resultant effect business cannot run in a systematic manner and the investors from public at large have to lose their invested money. In order to avoid such situation it is necessary to have this provision. As per the Companies Act, 2013, if the amount of Minimum Subscription is not received within 30 days from the date of issuing prospectus or the time limit prescribed by the SEBI, then such amount is required to be returned as per the directions of the SEBI. On violation of such rule, the concerned officers are liable to pay fine. While allotting the shares the same are required to be registered before the Registrar of Companies.

The Effects of Non-receipt of the Amount of Minimum Subscription :

If a company does not receive the applications equivalent to the Minimum Subscription then,

- (1) The allotment of shares of a company cannot be done.
- (2) The applicants are required to be refunded the amount as per the directions of SEBI.
- (3) On violation of these provisions by a public company, the concerned officers are liable to pay fine.

6.8 Underwriting Contract for Share

When any public company invites public at large to purchase its shares/debentures, and such newly established company fails to receive the amount of Minimum Subscription, its reputation comes in danger. Moreover, possibilities of its future success get obstructed. Negative situation arises among the share market about the company. In order to avoid this risk the newly established company enters into Share under writing Contract with the Brokers, mediators wherein such brokers assure the company that in the event of non-purchase of shares the remaining shares would be purchased by the Brokers entered into contract with the company.

Thus, Share Under writing Contract is such contract whereby the brokers in consideration of the commission guarantee the company to the effect that in case the securities issued for the public at large are not fully purchased by the public, they would purchase the remaining shares and would make payment thereof. The commission to be paid to the underwriter Brokers for the shares purchased is called underwriting Commission.

Advantages of Share underwriting Contract :

- (1) After having entered into under writing contract, there is no uncertainty among the promoters of the company to collect capital.
- (2) The underwriter Brokers, being experts of Share market give appropriate advice to the company and hence there is no risk for the investors.
- (3) Before taking liability, the Underwriter Brokers make necessary investigation about the condition and future of the company and thereafter enter into Under writer Contract. Therefore, the investors are confident about the safety of their money.
- (4) The company also gets advantage of goodwill of underwriter Brokers. Because of the names of reputed underwriter Brokers the investors are attracted to invest in the company.

6.9 Private Placement

By publication of prospectus the public company invites the public at large to purchase its securities. But instead of inviting public for purchasing prospectus such company may make private placement for the Guarantee Subscription. As per the Companies Act 'Private placement means company makes an offer to allot securities to definite group of person to purchase securities.'

Maximum 50 persons or such number of persons as fixed by the SEBI can be invited for the Minimum Subscription over and above institutional purchasers and employees qualified under the Employees Stock Option Scheme.

6.9.1 Provisions of the Companies Act Regarding Private Placement :

- (1) The amount regarding this type of subscription can be paid through a cheque or draft or by Bank transactions. Payment cannot be done in cash.
- (2) The allotment should be made within 60 days for such type of subscriptions. If the directors do not make such allotment within 60 days, the applicants should be refunded the amount within 15 days after the expiry of 60 days.

- (3) On failure to make payment within 15 days after expiry of 60 days, the interest of 12 % per annum is to be paid by the company from the date of expiry of 60 days till the date of refund.
- (4) The amount received in such type should be kept in a separate account of a Scheduled Bank.
- (5) Only such persons will be given the intimation for the private placement, whose names are registered by the company before giving invitation for subscription. Such persons will be intimated for subscription by name.
- (6) The records regarding such intimation will be maintained as decided and after passing resolution regarding concerned private placement. The Complete detail about it shall be presented before the Registrar within 30 days.
- (7) The companies resolving to have private placement in such a manner shall not be entitled to make any advertisement for providing information to public about such resolution.
- (8) When company allots subscription in this manner, the names, addresses, number of allotted subscription and all other information about the Indemnity Holders are required to be presented before the Registrar of Companies.

What have you learned in this chapter ?

Capital is required to run a company. Company does not have capital at the time of its incorporation. Such capital is gathered by shares or debentures. In order to obtain such capital public is invited by a document, which is called prospectus.

Meaning : The document by which public is invited by a company to raise fund is called prospectus.

Importance : “Prospectus means a public document giving invitation to the public at large to purchase the shares of debentures of a company.”

Characteristics :

- (1) It is published by a company.
- (2) Invitation is given to the public to purchase shares or debentures.
- (3) Prospectus is in the nature of notice or circular.
- (4) Prospectus must be in written form.

Importance :

- (1) The prospectus contains the name , Share capital, the working area , future planning of the company etc.
- (2) It provides Information regarding main officers of the company .
- (3) Any false, misleading statement or information in the prospectus will damage reliability of the company.
- (4) It presents true financial situation of the company, gives idea of reality to the investors.
- (5) It informs regarding possible risks of the project of the company.

Contents of the Prospectus :

- (1) Name of company and address of Registered Office
- (2) Name and addresses of Secretary, Solicitor, Advisor, Indemnity Brokers of a company.
- (3) Date of opening and closure of Subscription, Time-table of distribution process etc.
- (4) Statement regarding opening of separate account in a bank

- (5) Information regarding underwriting Contracts
- (6) Written consent of Directors, Auditor, Banker and Experts.
- (7) Resolution about subscription and authorised person for that
- (8) Capital structure of the company
- (9) Purpose, conditions and necessary particulars about Subscription
- (10) Objectives of the company and the place of Business
- (11) Risk factors about project, Development and period of completion of project
- (12) Appointment and remuneration of Board of Directors and their interest in a company
- (13) Contribution of Promoters
- (14) If the business is continuing, the Balance sheet of last five years, the Report about Profit and Loss A/C, Balance sheet , Branch Report
- (15) Statement regarding non-violation of any legal provision.

Provisions of the Companies Act Regarding Publication of Prospectus :

- (1) There should be compliance of legal provisions.
- (2) The date shown is considered as date of publication of prospectus.
- (3) No person shall be allowed to publish prospectus on behalf of the company before presenting it to Registrar of Companies.
- (4) Additional information-statement should be provided, if required.
- (5) Written consent of each person shown in the prospectus is required.
- (6) Printed copy of the prospectus is required to be given to the Registrar.
- (7) Prospectus has to be published within 90 days from the date of its registration. If it is published after 90 days, it is declared invalid.
- (8) Before registration of prospectus a statement is to be given before the Registrar of Companies stating therein that the Provisions of the Companies Act are complied with and there is no breach of the Security Contract Act and provisions of the SEBI Act.
- (9) The application form cannot be published without the Mini Prospectus.

Liability for Misrepresentation in the Prospectus: If there is any misrepresentation or fraudulent publication is made or ambiguous words are used, the officers whose names are shown in the prospectus are held liable. Such liabilities are of two types :

(1) **Civil Liability** : If there is a financial loss to the investors who have invested relying upon the Misrepresentation or fraudulent representation, the officers whose names are shown in the prospectus are held responsible to compensate the same. This is called civil liability.

(2) **Criminal Liability** : By believing any fraudulent representation to be true any investor gets attracted and invests and thereby sustains loss, all the officers whose names are shown in the prospectus are liable for the punishment of imprisonment or fine or both. This is called criminal liability.

Liability of Other Offences of Prospectus : If the prospectus is not of legal character, necessary information are not shown, it does not bare signature or it is published before getting the same registered by the Registrar, the publisher of the prospectus is liable for fine.

Liability of Criminal Breach of Trust in the Prospectus : Any person who knowingly makes irresponsible statements or makes false statements and induces others to invest in shares/ debentures of a company is liable for punishment of imprisonment or fine or both.

Liabilities of a Secretary in the Prospectus :

- (1) To be in contact with the committee preparing prospectus or solicitor and provide necessary help.
- (2) To discuss the draft of prospectus in the committee of Board of Directors.
- (3) To get prospectus published.
- (4) It is his duty to see whether the dates and provisions of the Companies Act are complied with or not.
- (5) To send a copy of prospectus to the Directors.
- (6) To obtain written approval of concerned officers and experts.
- (7) To make arrangement to print the applications along with Mini Prospectus.
- (8) To send Mini Prospectus to the under writer Brokers.
- (9) To make arrangement to deposit the amount of subscription in a separate Bank account.
- (10) To get the prospectus published in the newspapers.
- (11) To make arrangement to register the shares at the Share Market.
- (12) To make arrangement to publish the prospectus within 90 days from the date of registration of prospectus.

Minimum Subscription : How much minimum amount is required to commence a business is a Minimum Subscription.

Importance of Minimum Subscription : Minimum Subscription is necessary to protect the interest of share holders. After having published the shares, if amount of Minimum Subscription is not obtained within 30 days, the amount is required to be refunded as per the directions of SEBI. In case of violation of the above provisions, the responsible officer is liable to pay fine.

Underwriting Contracts of Share : New company whose securities are issued and could not get the Minimum Subscription, cannot commence a new business. The reputation of a company comes into danger. In order to avoid such situation, a company makes Underwriting Contracts of securities with the brokers. In such contract, the brokers assure the company that they would purchase the shares of deficit amount. Commission is to be paid to the brokers in consideration thereof. Due to Underwriting Contract there is no uncertainty for a company to collect capital . Moreover, proper advice of Brokers gives reputation to the company.

Private Placement : If a public company does not invite public to purchase its shares or debentures, it may make private placement for filling up its subscription. In such event, proposal may be given to fifty persons as per SEBI guidelines.

Provisions of the Companies Act for the Private Placement :

- (1) The amount of it can be taken by cheque or Draft but not in cash.
- (2) The allotment of shares in such case shall be made within 60 days failing which the amount has to be refunded within 15 days. If such amount is not refunded within 15 days, the interest of 12 % per annum shall be paid.
- (3) Such amount shall be kept in a separate account of a Scheduled Bank.
- (4) Those persons who have registered their names, before inviting for the subscription can be offered by name such proposal of Private Placement.
- (5) Record about this shall be kept in a prescribed form and the same is required to be registered within 30 days before the Registrar.
- (6) No advertisement about this can be done before public.
- (7) All the matters regarding proposal should be presented before the Registrar.

Exercise

1. Select suitable option from the given options :

- (1) Person liable for Civil Liability in case of publication of information in prospectus.....
(A) can be punished with fine. (B) can be punished with imprisonment or fine.
(C) cannot be punished at all.
(D) can be punished with imprisonment as well as fine
- (2) Person liable for criminal offence in case of publication of information in prospectus.....
(A) can be punished with imprisonment (B) can be punished with fine only
(C) is to be pardoned for the first offence
(D) can be punished with imprisonment and fine or both
- (3) Which of the following statement is incorrect in relation to prospectus.
(A) Prospectus is an invitation published by a company
(B) Prospectus must be in written form. (C) Name of the company.
(D) It is not mandatory to register with Registrar of companies.
- (4) In order to invite public to purchase shares, a company.....
(A) may print application form. (B) cannot print application form.
(C) print along with mini prospectus. (D) may take application on a paper.
(D) It is not mandatory to register with Registrar of Companies.
- (5) The amount of subscription received is to be
(A) deposited by opening a separate account in a Scheduled Bank.
(B) deposited in Nationalized Bank. (C) deposited in current account of a company.
(D) deposited in the account of the Director.
- (6) In private placement in how many days allotment is to be done ?
(A) with in 15 days (B) with in 60 days (C) with in 75 days (D) with in 90 days
- (7) Prospectus.....
(A) is not required to be published. (B) is necessary to be published.
(C) may be in the written form. (D) is in the nature of scattered information.
- (8) In case of Civil Liability, the Directors.....
(A) have to pay for the loss. (B) are not liable at all for the first time.
(C) have to pay for the possible loss. (D) have to pay the loss sustained in the profit.
- (9) How many people can be offered in private placement ?
(A) 50 (B) 30 (C) 20 (D) 10

2. Answer the Following Questions in One Sentence :

- (1) On basis of which document, the investor decides to invest in the company ?

- (2) Where is the contribution of promoters mentioned ?
- (3) What is the driving force of a business ?
- (4) What is called the date of publication of prospectus ?
- (5) In which form a company gathers capital from the public ?
- (6) Where is the money obtained in private placement to be kept ?
- (7) Within how many days the allotment of subscription can be done in case of private placement ?
- (8) To whom the liability to prepare the prospectus is entrusted ?
- (9) What is prospectus ?
- (10) Within how many days the prospectus can be published after the registration of the company ?
- (11) If the allotment of subscription is not done in private placement, within how many days the money should be refunded ?

3. Answer in Short the Following Questions :

- (1) With whom the underwriting contracts are entered by the company ?
- (2) What are the effect in case of failure to get Minimum Subscription ?
- (3) Whose written consent is necessary in the prospectus ?
- (4) To whom is the proposal to be given in case of Private Placement ?
- (5) What kind of liability is there regarding other offences in the prospectus ?
- (6) List out the officers to be included in the prospectus ?

4. Answer the Following Questions Pointwise :

- (1) Explain the meaning of Prospectus.
- (2) State the characteristics of prospectus.
- (3) What is called criminal liabilities in relation to the prospectus ?
- (4) Which matters are required to be seen by the secretary prior to registration of prospectus before the Registrar ?
- (5) What is called Minimum Subscription ?
- (6) What is called civil liabilities in relation to the prospectus ?
- (7) Which matters about the project are to be included in the prospectus ?
- (8) State the liabilities of Criminal Breach of Trust relating to the prospectus.
- (9) Which additional information are required to be shown by the companies having continuing business ?
- (10) Explain the importance of Minimum Subscription.
- (11) Which difficulties are faced by the company, if the under writing contracts are not made ?

5. Answer the Following Questions in Detail :

- (1) State the provision of companies Act regarding private placement ?
- (2) Explain the liabilities for misrepresentation made in the prospectus.
- (3) State the duties of a secretary related to the prospectus.
- (4) Write down merits of under-writing contract.
- (5) When can it be said that there is misrepresentation in the prospectus ?
- (6) What is called private placement ?
- (7) What is Under-writing Contract in relation to the prospectus ?
- (8) Explain the importance of prospectus.
- (9) What is Prospectus ? Explain it by giving meaning and definition.
- (10) Explain the provisions under the Companies Act for publication of prospectus.
- (11) Which matters are to be included in the prospectus ?

Terminological Words

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| Prospectus | : વિજ્ઞાપનપત્ર |
| Certificate of Incorporation | : નોંધણી પ્રમાણપત્ર |
| Minimum Subscription | : લઘુત્તમ ભરણું |
| Promoters | : સ્થાપકો |
| Civil Liability | : દીવાની જવાબદારી |
| Criminal Liability | : ફોજદારી જવાબદારી |
| Solicitor | : સોલિસિટર |
| Share Underwriting | : શેર બાંધધરી |
| Private Placement | : ખાનગી નિયુક્તિ |
| Abridged Prospectus | : લઘુ/સંક્ષિપ્ત વિજ્ઞાપનપત્ર |

