MH Board Class 12 Secretarial Practices Question Paper with Solutions(Memory Based)

Time Allowed :3 Hours	Maximum Marks :100	Total questions :35

General Instructions

Read the following instructions carefully and strictly adhere to them:

1. All questions are compulsory and must be answered in complete sentences; one-word or fragmented answers will not be awarded full marks.
2. Graphic organizers such as web diagrams, flow charts, and tables must be drawn neatly and exactly as presented in the question paper with the correct information filled in.
3. In reference to point 2, answers provided without the required diagrams or tables will not be considered for credit.
4. Use only a blue or black ballpoint/gel pen for writing and drawing; the use of pencils for diagrams is permitted, but colour pencils or sketch pens are strictly prohibited.
5. If multiple responses are provided for a single-answer activity, the entire attempt will be treated as invalid and no marks will be assigned.
6. Maintain the chronological sequence of Sections, Question Numbers, and Sub-activities as per the question paper to ensure systematic evaluation.

1. Differentiate between Fixed Capital and Working Capital.

Solution:

Concept: Capital refers to the money or assets used in business operations. It is broadly classified into:

- Fixed Capital

- Working Capital

Fixed Capital:

Fixed capital refers to the money invested in long-term assets that are used repeatedly in production.

Features:

- Used for purchasing fixed assets
- Long-term investment
- Not consumed in a single production cycle

Examples:

- Machinery
- Buildings
- Land
- Tools and equipment

Working Capital:

Working capital refers to the money used for day-to-day business operations.

Features:

- Short-term in nature
- Used in daily production activities
- Continuously converted into cash

Examples:

- Raw materials
- Wages and salaries
- Electricity bills
- Transport costs

Difference between Fixed Capital and Working Capital:

Basis	Fixed Capital	Working Capital
Nature	Long-term	Short-term
Use	Purchase of fixed assets	Daily operations
Consumption	Used repeatedly	Consumed quickly
Examples	Machinery, buildings	Raw materials, wages

Conclusion: Fixed capital supports production infrastructure, while working capital ensures smooth day-to-day functioning of a business.

Quick Tip

Fixed capital = Long-term assets. Working capital = Daily business expenses.

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2. Differentiate between Equity Shares and Preference Shares.

Solution:

Concept: Shares represent ownership in a company. They are broadly classified into:

- Equity Shares
- Preference Shares

Equity Shares:

Equity shares are ordinary shares that represent ownership of the company.

Features:

- Owners are called equity shareholders
- Dividend is variable (depends on profit)
- Voting rights are available
- Higher risk but higher return potential

Preference Shares:

Preference shares are those shares which have preferential rights over equity shares in certain matters.

Features:

- Fixed rate of dividend
- Priority in dividend payment
- Preference in repayment during liquidation
- Usually no voting rights

Difference between Equity Shares and Preference Shares:

Basis	Equity Shares	Preference Shares
Ownership	Real owners of company	Limited ownership rights
Dividend	Variable	Fixed
Risk	High risk	Lower risk
Voting rights	Available	Generally not available
Priority in liquidation	Paid after preference shareholders	Paid before equity shareholders

Conclusion: Equity shares offer ownership and higher returns with risk, while preference shares provide stable returns with priority benefits.

Quick Tip

Equity = Ownership + Voting + Variable returns. Preference = Fixed dividend + Priority benefits.

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3. Differentiate between Shares and Debentures.

Solution:

Concept: Companies raise long-term finance through shares and debentures. Both are sources of capital but differ in ownership, risk, and return.

Shares:

Shares represent ownership in a company.

Features:

- Shareholders are owners of the company
- Return is in the form of dividend
- Dividend depends on profits
- Shareholders may have voting rights

Debentures:

Debentures are instruments of borrowing issued by a company.

Features:

- Debenture holders are creditors
- Fixed rate of interest is paid
- Interest is paid whether profit or loss
- No voting rights

Difference between Shares and Debentures:

Basis	**Shares**	**Debentures**
Status	Owners of company	Creditors of company
Return	Dividend	Interest
Nature of return	Variable	Fixed
Risk	Higher risk	Lower risk
Voting rights	Usually available	Not available
Repayment	Not repaid during life of company	Repaid after fixed period
Security	Not secured	Often secured against assets

Conclusion: Shares represent ownership with variable returns, whereas debentures represent loans with fixed interest and lower risk.

Quick Tip

Shares = Ownership + Dividend. Debentures = Loan + Fixed Interest.

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4. Differentiate between Transfer of Shares and Transmission of Shares.

Solution:

Concept: Shares of a company may change ownership either voluntarily or due to operation of law. This leads to two concepts:

- Transfer of Shares
- Transmission of Shares

Transfer of Shares:

Transfer of shares refers to the voluntary transfer of ownership of shares by a shareholder to another person.

Features:

- Done by choice of the shareholder
- Takes place through sale or gift
- Requires execution of transfer deed
- Consideration (price) is usually involved

Transmission of Shares:

Transmission of shares refers to the transfer of shares by operation of law.

Features:

- Not voluntary
- Occurs due to death, insolvency, or lunacy of shareholder
- Legal heirs or nominees receive shares
- No transfer deed required

Difference between Transfer and Transmission of Shares:

Basis	Transfer of Shares	Transmission of Shares
Nature	Voluntary	By operation of law
Initiated by	Shareholder	Legal circumstances
Consideration	Usually present	No consideration
Transfer deed	Required	Not required
Reason	Sale or gift	Death, insolvency, etc.

Conclusion: Transfer of shares is a voluntary act of the shareholder, while transmission occurs automatically due to legal reasons.

Quick Tip

Transfer = Voluntary sale/gift. Transmission = Legal transfer after death or insolvency.

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5. Differentiate between Interim Dividend and Final Dividend.

Solution:

Concept: Dividend is the portion of profits distributed by a company to its shareholders. It can be declared either during the financial year or after its completion.

Interim Dividend:

Interim dividend is the dividend declared by the Board of Directors during the financial year, before final accounts are prepared.

Features:

- Declared during the accounting year
- Announced by Board of Directors
- Based on estimated profits
- Does not require approval in AGM

Final Dividend:

Final dividend is declared after the end of the financial year, once final accounts are prepared.

Features:

- Declared after financial year ends
- Recommended by Board of Directors
- Approved by shareholders in AGM
- Based on actual profits

Difference between Interim and Final Dividend:

Basis	Interim Dividend	Final Dividend
Timing	During financial year	After financial year ends
Declared by	Board of Directors	Shareholders in AGM (on recommendation)
Profit basis	Estimated profits	Actual profits
Approval	No AGM approval needed	Requires AGM approval
Frequency	May be multiple times	Usually once a year

Conclusion: Interim dividend is an advance dividend declared during the year, while final dividend is declared after finalising annual profits.

Quick Tip

Interim = During year, by directors. Final = After year-end, approved in AGM.

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6. State the features of Equity Shares and Preference Shares. Also explain the types of Preference Shares.

Solution:

Concept: Share capital of a company is broadly divided into:

- Equity Shares
- Preference Shares

Each has distinct features and rights.

Features of Equity Shares:

Equity shares represent the ownership of a company.

- Equity shareholders are the real owners of the company.
- They have voting rights in company decisions.
- Dividend is variable and depends on profits.
- They bear the highest risk.
- Paid after preference shareholders during liquidation.
- Possibility of higher returns in profitable years.

Features of Preference Shares:

Preference shares have preferential rights over equity shares.

- Fixed rate of dividend.
- Priority in payment of dividend.
- Preference in repayment of capital during winding up.
- Generally no voting rights (except in special cases).
- Lower risk compared to equity shares.

Types of Preference Shares:

Preference shares can be classified on different bases.

1. On the basis of dividend accumulation

(a) Cumulative Preference Shares: Unpaid dividends accumulate and are paid in future years.

(b) Non-cumulative Preference Shares: Unpaid dividends do not accumulate.

2. On the basis of participation in profits

(a) Participating Preference Shares: Shareholders receive additional dividend after equity shareholders.

(b) Non-participating Preference Shares: No share in surplus profits.

3. On the basis of convertibility

(a) Convertible Preference Shares: Can be converted into equity shares after a specified period.

(b) Non-convertible Preference Shares: Cannot be converted into equity shares.

4. On the basis of redemption

(a) Redeemable Preference Shares: Can be repaid after a fixed period.

(b) Irredeemable Preference Shares: Not repayable during the lifetime of the company (rare in modern practice).

Conclusion: Equity shares provide ownership and higher risk-return potential, while preference shares provide fixed returns and priority rights with different structural types.

Quick Tip

Equity = Ownership + Voting + Variable returns. Preference = Fixed dividend + Priority rights + Multiple types.

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7. State the benefits of the Depository System to investors and companies.

Solution:

Concept: A depository system allows securities (shares, debentures, bonds) to be held in electronic form instead of physical certificates. It works through depositories like NSDL and CDSL and depository participants (DPs).

Benefits to Investors:

- **Safety of securities:** Eliminates risks of loss, theft, forgery, and damage of physical certificates.
- **Convenience:** No need to handle paper certificates.

- **Easy transfer:** Quick and hassle-free transfer of securities.
- **No stamp duty:** Transfers in electronic mode do not require stamp duty.
- **Faster settlement:** Reduced settlement time in stock market transactions.
- **Reduced paperwork:** Less documentation and administrative work.
- **Automatic credit:** Bonus shares, dividends, and rights shares are credited directly.
- **Nomination facility:** Easy nomination and transmission process.

Benefits to Companies:

- **Reduced administrative cost:** Less printing, storage, and handling of certificates.
- **Elimination of forgery:** No fake or duplicate certificates.
- **Faster transfer of securities:** Improves liquidity of shares.
- **Improved investor satisfaction:** Efficient and transparent system.
- **Better record keeping:** Electronic records are accurate and easy to maintain.
- **Quick corporate actions:** Easy distribution of bonus shares, dividends, etc.
- **Reduced legal disputes:** Less litigation related to loss or transfer of certificates.

Conclusion: The depository system enhances efficiency, safety, and transparency in holding and transferring securities, benefiting both investors and companies.

Quick Tip

Depository system = Paperless securities + Faster transfers + Greater safety.

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8. Explain the meaning and importance of ”Ploughing Back of Profits”.

Solution:

Concept: Ploughing back of profits refers to retaining a portion of a company's profits in the business instead of distributing them fully as dividends. It is also known as **retained earnings** or **self-financing**.

Meaning:

Ploughing back of profits means:

Reinvesting a part of the profits into the business for future growth and expansion.

Instead of distributing all profits to shareholders, the company keeps some funds for internal use.

Importance of Ploughing Back of Profits:

1. Source of Internal Finance: Provides funds without borrowing from external sources.

2. Expansion and Growth: Helps in business expansion, diversification, and modernization.

3. Reduces Dependence on Loans: Less reliance on external borrowings reduces financial risk.

4. Improves Financial Stability: Strengthens the company's financial position and reserves.

5. Increases Shareholder Value: Reinvestment may lead to higher future profits and capital appreciation.

6. No Interest Burden: Unlike loans, retained profits do not require interest payments.

7. Helps in Emergencies: Acts as a financial cushion during economic downturns.

Conclusion: Ploughing back of profits is an important strategy for long-term growth, financial stability, and self-reliance of a company.

> **Quick Tip**
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> Ploughing back = Retained profits reinvested for growth and stability.

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9. Draft a letter for the issue of Bonus Shares or payment of dividend through a Dividend Warrant.

Solution:

Concept: A company communicates corporate actions like bonus shares or dividend payments through formal letters to shareholders. Below are sample formats for both cases.

(A) Letter for Issue of Bonus Shares

ABC Ltd.
Registered Office: 123, Business Street, Mumbai
Date: 10 April 2026

To,
All Shareholders of ABC Ltd.

Subject: Issue of Bonus Shares

Dear Shareholder,

We are pleased to inform you that the Board of Directors of ABC Ltd., in its meeting held on 8 April 2026, has approved the issue of bonus shares in the ratio of 1:2, i.e., one bonus share for every two equity shares held by you.

These bonus shares will be issued by capitalising the company's free reserves and will be credited to your demat account on or before 30 April 2026. No action is required from your side in this regard.

We thank you for your continued trust and support.

Yours faithfully,
For ABC Ltd.
(Authorized Signatory)

(B) Letter for Payment of Dividend through Dividend Warrant

XYZ Ltd.
Corporate Office: 45, Industrial Area, Delhi
Date: 15 July 2026

To,
Mr./Ms. Shareholder Name
Address

Subject: Payment of Dividend

Dear Shareholder,

We are pleased to inform you that the shareholders of XYZ Ltd., at the Annual General Meeting held on 12 July 2026, have approved a final dividend of 15% for the financial year 2025–26.

Accordingly, a dividend warrant for the amount due to you is enclosed herewith. You are requested to deposit the warrant in your bank for encashment at the earliest.

In case of any discrepancy, please contact our Registrar and Transfer Agent.

We thank you for your continued support.

Yours faithfully,

For XYZ Ltd.

(Company Secretary)

> Quick Tip
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> Bonus shares = Issued from reserves, no cash outflow. Dividend warrant = Written instrument for dividend payment.

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10. Justify the statement: "Equity shareholders are the real owners of the company."

Solution:

Concept: Equity shareholders are considered the real owners because they bear the ultimate risk and enjoy the residual benefits of the company.

Justification:

1. Ownership Rights: Equity shareholders provide the risk capital and hold ownership of the company.

2. Voting Rights: They have voting rights and can participate in important decisions like election of directors and approval of policies.

3. Control over Management: Through voting power, they influence the management and governance of the company.

4. Residual Claim on Profits: They receive dividends only after all expenses, taxes, and preference dividends are paid. Hence, they are residual claimants.

5. Residual Claim on Assets: In case of liquidation, they are paid after all creditors and preference shareholders. This reflects ultimate ownership and risk.

6. Higher Risk–Higher Return: They bear the maximum risk but also enjoy the possibility of higher returns.

7. Participation in Growth: Equity shareholders benefit from capital appreciation and bonus issues as the company grows.

Conclusion: Since equity shareholders bear maximum risk, enjoy voting rights, and have residual claims on profits and assets, they are rightly regarded as the real owners of the company.

Quick Tip

Equity shareholders = Ownership + Voting rights + Residual claims.
