

## Chapter 18 : PRODUCER COMPANY

1. Which of the following shall not relate to object of producer companies?			
a. Production, Harvesting, procurement of goods, marketing, selling	b. Promoting techniques if mutuality	c. Revitalization of land and water resources	d. None of the above
2. Objects of producer company shall be in section			
a. 571 B	b. 581B	c. 581 H	d. 581 I
3. Status of producer co will be private company for situations where chapter....is silent.			
a. IX-A	b. X-A	c. XI-A	d. XII-A
4. Only..... Co-operative society can become Producer Company.			
a. Single state	b. Multi state	c. Dual state	d. Triple state
5. Liability of members is.....in producer company.			
a. Limited	b. Unlimited	c. Guaranteed	d. Non-guaranteed
6. Amendment of AOA shall not be inconsistent with			
a. 581 A	b. 581 B	c. 581 C	d. 581 I
7. Mr. P is a director of Anand Producer Limited Company, has vacated his office since he has been convicted by court for an offence involving moral turpitude and sentenced for a period of 4.5 months. Is this vacation required?			
a. Yes	b. No	c. Partly yes	d. Partly No
8. One shall vacate due to default made in repayment of loans or advances from the Producer Company in which he is a...			
a. Promoter	b. Partner	c. Director	d. Shareholder
9. Failure to appoint a CS can result in a penalty of.... till the default continues.			
a. Rs.100000 per day	b. Rs.10000 per day	c. Rs.1000 per day	d. Rs.500 per day
10. Quorum of AGM for producer company is..			
a. 1/3 <sup>rd</sup> or 2	b. 1/2 of total membership	c. 1/3 <sup>rd</sup> or 3	d. 1/4 <sup>th</sup> of total membership
11. Every member shall within.....of his becoming a member name a nominee to whom his shares shall vest in case of death.			
a. 6 Months	b. 1 Months	c. 3 Months	d. 45 days
12. Share Capital of Producer Company shall consist of only equity shares. The above statement is..			
a. True	b. False	c. Partly True	d. Partly False
13. In case of death of a director of a producer company shares held by him shall be transferred to nominee. If nominee is not a producer then board shall			
a. Re-issue the share	b. Sell the shares to him.	c. Direct to surrender the shares	d. Simply transfer the shares to him

14. The aggregate amount of donation and subscription in any FY shall not exceed ....of net profit in immediately preceding FY.			
a. 3%	b. 5%	c. 5%	d. 3.5%
15. Anand Producer Company limited has made a contribution of 2% of its net profit to a Political Party for its welfare. Is the above contribution valid?			
a. Yes, its valid	b. No, it's not valid	c. Valid since within the limit	d. Invalid since exceeding the limit
16. Loans and advances against security specified in articles to any member is repayable within the period ...			
a. More than 6 months but not more than 2 years	b. More than 1 year but not more than 5 years	c. More than 3 months but not more than 7 years	d. More than 9 Months but not more than 10 years.
17. Any loan or advance to any director or his relative shall be granted only after...			
a. Approval of Board in BRLM	b. Approval of Promoters	c. Approval of Chairman	d. Approval of Members in GM
18. Any PCL may invest in any other company for an amount not exceeding..			
a. 15% of its aggregate paid up capital and free reserves	b. 30% of its aggregate paid up capital and free reserves	c. 10% of its aggregate paid up capital and free reserves	d. 20% of its aggregate paid up capital and free reserves.
19. Producer company shall become a Body Corporate as if it's a private company without having ...			
a. Any limit of paid up capital	b. Any limit for transferability of shares	c. Any limit to the number of members	d. Any limit to the number of directors.
20. Total Number of directors including additional directors shall be...			
a. Max 15	b. Max 18	c. Max 12	d. None of the above
21. Which of the following can incorporate a producer company?			
1.Any ten or more persons engaged in any activity connected with primary produce or 2 or more producer institutions or companies			
2.Any 2 or more producer institutions or companies			
3.A combination of 10 or more individuals and producer institutions			
4.Any other institution			
a. 1 and 2	b. 2 and 3	c. 1 and 3	d. 2 and 4
22. Registered Producer company.....			
a. Can never be a private limited company	b. Is a Private Co. for situations where Chapter X-A is silent	c. Is always a private limited company	d. Is a Private Co. for situations where Chapter IX-A is silent
23. The 1st AGM of the shareholders has to be held within a period of ___ of its registration.			
a.180 days	b.90 days	c.30 days	d.15 days
24. Blossom Producer Company Limited is having an average annual turnover exceeding Rs.8 Crores in each of 3 consecutive financial years, has appointed Mr. Rex as CA to take care of all the secretarial practices like filing returns, forms, legal documentations, etc. Is the appointment of Mr. Rex valid?			
a. No	b. Yes	c. May be	d. Yes, if it is valid as per clauses in AOA.
25. Blossom Producer Company Limited is having an average annual turnover exceeding Rs.7 Crores			

in each of 3 consecutive financial years, has appointed Mr. Rex, a member of the ICSI as a whole time secretary to take care of all the secretarial practices like filing returns, forms, legal documentations, etc. Is the appointment of Mr. Rex valid?			
a. No	b. Yes	c. May be	d. Yes, if it is valid as per clauses in AOA.
26. Mr. Patil a member of Lotus Producer Company Limited seeks to avail of a credit facility from the Company in relation to business of the Company. For what period can the same be availed?			
a. not exceeding 2 months	b. not exceeding 6 months	c. not exceeding 3 months	d. not exceeding 9 months
27. Credit facility to any member in connection with business of the company for a period not exceeding			
a. 12 months	b. 3 months	c. 6 months	d. 9 months
28. Blossom Producer Company Limited is having an average annual turnover exceeding Rs.3 Crores in each of 3 consecutive financial years, has appointed Mr. Rex as CA to take care of all the secretarial practices like filing returns, forms, legal documentations, etc. Is the appointment of Mr. Rex valid?			
a. No	b. Yes	c. May be	d. Yes, if it is valid as per clauses in AOA.
29. Suffix of the Producer Company will be			
a. ....private ltd	b. ....public ltd	c. ....& company	d. ....producer company limited
30. Who can be subscriber or member of Producer Companies?			
a. Primary Producers	b. Marketing agents to increase the market	c. Producer doing value addition to the products making it marketable	d. All of the above
31. For the purpose of law, the Producer companies shall be dealt as if it is:			
a. Public Limited company	b. Private Limited company	c. Limited by Guarantee company	d. Unlimited Company
32. Who can form the Producer Company			
a. 10 Individual Producers	b. 2 Producer Institutions	c. combination of 10 or more individuals and producer companies	d. a or b or c
33. What are the minimum number of directors for producer company			
a. 5 directors	b. Minimum 2 director as in private company	c. 3 directors	d. No minimum number of directors
34. Now the farmers and producers of the Onion want to incorporate the Company under Companies Act, 2013. But there are only 8 primary producers of Onion. Also, there is 1 Producer Institution who wishes to incorporate a PC. Can these People incorporate a PC?			
a. Yes they can incorporate the PC as a private company	b. No as the requirement of 10 individual and institution is not complied	c. Yes They can incorporate as a public company	d. No they cannot as public company but can as private company
35. ABC Producer Company Limited was formed with the object of producing, harvesting the grains and selling the same by marketing. There were 11 members and out of which 1 member "A" got his interest conflicted to that of producer company and one member "B" ceases to be a primary producer but was carrying out the ancillary work related to primary produce. Will it amount to surrender of shares by both of these members?			
a. The member "A" shall cease to be member as	b. Both A and	c. Both A and B shall	d. None of the

his interest in conflicted with that of the company and "B" shall continue to be member as he is related to primary produce and included as primary producer	B would not cease to be member	cease to be the members of Producer Company	above
<p>36. Amulya Producer Company Limited was formed with equity shares of Rs. 5,00,000 (50000 equity shares of Rs. 10 each) and now for raising its funds the company intends to issues debentures to its members and increase the capital by doing so. It intends to raise the capital of Rs. 3, 50,000 (3500 debentures of Rs. 100). Can the company do so?</p>			
a. The Company can issue debentures and increase its capital	b. The Company can do so only upto Rs. 2,50,000 as debt cannot exceed 50% of the equity issued	c. The company cannot issue debentures to its members and can only raise it by equity shares	d. Can issues part amount of equity and part amount of debentures
<p>37. PQR Producer Company Limited has a Paid-up capital of Rs.4,00,00,000 and average annual turnover of Rs. 6,00,00,000 of preceding 3 financial years. Does the company need to appoint a company secretary under Sec 203 of companies Act or under section 581K?</p>			
a. No the requirement of Company Secretary is not mandatory to Producer companies	b. The company needs to appoint company secretary under section 581K of companies Act, 1956	c. No the requirement of Company Secretary is not mandatory to Producer companies	d. None of the above
<p>38. PQR, a multistate co-operative society wants to convert itself to the Producer Company. But the existing members are more than 500 in number and also the directors are 12. Can a co-operative society be converted to Producer Company?</p>			
a. Yes it can be converted as there is no limit on number of members even if the producer company acts as a private limited company	b. The number of members needs to be only maximum upto 200 so as to form the producer company which gets the status of Private Limited company under the act	c. No a co-operative society cannot be converted into Producer Company	d. Both B and C
<p>39. XYZ Producer Company Limited held 4 board meeting in 2017-2018 but held once in every 3 months and the gap between 2 meeting of June 2018 and December 2018 exceeded 120 days. Was there any non-compliance on the part of Producer Company?</p>			
a. No according to sec 581V the company has held 4 meeting and 1 in each quarter, so there was no non-compliance	b. The Company has held 4 meeting in a calendar year according to sec 173 of companies Act but the days between any 2 meetings cannot exceed 120 days and thus there is a non-compliance, as Producer Company needs to comply the provisions of Companies Act 2013 in line with the Companies Act, 1956	c. There was non-compliance according to both Companies Act, 1956 and Companies Act, 2013	d. There is no requirement of minimum number of board meeting for the producer company
<p>40. "X" a producer member of XYZ Producer Company Limited nominated Mr. A as his nominee within 3 months of his being a member In producer company. Now Mr. X is deceased and his shares are transferred to Mr. A - nominee of Mr. X who is not a producer of any primary products? Whether such transfer of shares is justified</p>			
a. The shares will be transferred to nominee and thereafter the board of Directors shall direct the surrender of shares by nominee	b. The nominee though not a primary producer can still hold the shares	c. The nominee's business or his activity is not concerned for his holding of shares	d. None of the above

41. How does voting rights of member is being calculated or recognized or determined:			
a. In a case where the membership consists solely of individual members, the voting rights shall be based on a single vote for every Member	b. In a case where the membership consists of Producer institutions only, the voting rights of such Producer institutions shall be determined on the basis of their participation in the business of the Producer Company in the previous year, as may be specified by articles	c. In a case where the membership consists of individuals and Producer institutions, the voting rights shall be computed on the basis of a single vote for every Member	d. All of the 3 above
42. Whether the limits of internal audit of sec. 138 is applicable to Producer Companies or is it mandatory for producer companies to get the Internal audit done by a Chartered Accountant?			
a. Every producer company needs to carry out the internal audit of the producer company	b. If the limits specified for the applicability of internal audit under section 138 gets attracted, then only internal audit is applicable.	c. Internal audit is applicable only to the companies whose turnover is more than Rs. 3 Crores	d. Producer company are exempted from provisions of Internal audit
43. XYZ PCL wants to make some donations and subscriptions to a political person for the purpose of general awareness. Can the donation be done and to what extent?			
a. No contribution can be made to any political person or to any person for political reasons	b. The PCL can make the contribution to the extent of only 3 % of its profit	c. The PCL can make the contribution with the only condition that it will be used only for the purpose of general awareness and for the benefit of general public at large	d. The PCL can make the donations, contribution or subscription to any extent.
44. Is it mandatory to transfer funds to general reserve by PCL?			
a. Every Producer Company shall maintain a general reserve in every financial year, in addition to any reserve maintained by it as may be specified in articles.	b. No it is not mandatory	c. Depends on the wish of the directors	d. Depends on the wish of members and profit earned for the financial year
45. ABC PCL appointed the Chief Executive officer “c” who was the nominee of the member “A” in the company, Can the company do so?			
a. No, the company cannot appoint the member’s nominee as a Chief Executive Officer	b. The Act provides that only a member cannot be appointed as the CEO of PCL, so nominee can act the CEO of company	c. Any person whether member or no can be appointed as the CEO of PCL	d. The PCL need not appoint any CEO as it is exempted
46. An inter-state co-operative society was converted into a PCL on 01 <sup>st</sup> April 2018 and has 18 directors on its Board after incorporation. Advice the company whether it can have such number of directors?			
a. The PCL incorporated can have more than 15 directors on the Board for a period of 1 year after incorporation	b. No a PCL can have only maximum of 15 directors on its Board since its incorporation	c. There is no criteria for maximum number of directors	d. The PCL has its own existence and is managed by its members and do not require to appoint directors in the company
47. Who are the first directors of the Producer Company Limited?			
a. The members who sign the memorandum acts as first directors of		The directors shall be appointed by	

the company, until the directors are appointed at the AGM. But there shall be minimum 5 number of directors		the members of the company within 90 days of its incorporation	
48. Aditya a director in Amulya Ltd., Producer company Limited failed to call for annual general meeting due to natural calamity which occurred where the registered office of the company was situated. Advice the company on vacation of office of directorship of Aditya?			
a. The office of director shall become vacate as director failed to call for annual general meeting	b. There is no responsibility on the part of director to call for AGM and hence he is not liable for the default and will not vacate the office	c. No, the office of director shall not be vacate as it is an exception to Section 581Q	d. None of the above
49. Who shall be responsible for sending notice to directors for calling of Board Meeting of Producer Company			
a. Company secretary, if appointed or any director authorised	b. Managing director	c. Chief Executive Officer	d. Manager
50. The producer company had 32 members and now the AGM was called for the members. 7 members were present for the meeting and there were 10 directors (out of which 2 are members not included in 7 members). Advice Whether the requirement of quorum is fulfilled?			
a. There was no adequate quorum as only 7 members were present	b. The adequate quorum was present as the members present are more than 8 (i.e. 1/4 <sup>th</sup> of the members)	c. The adequate quorum was present as there is requirement of only 5 members to be present for AGM	d. None of the above
51. In ABC Ltd, a producer company has 12 individual members and 3 producer institution forming part of the members of such company. The members decide to call for an EOGM and thus 3 Producer Institution and 1 member proposed and send the notice in writing for calling of EOGM. Advice the company on whether the notice was duly sent to members for calling EOGM?			
a. The meeting is not duly called as the minimum requirement for members to call the notice is 5 members	b. The EOGM is duly called and hence is a valid meeting	c. Producer company cannot hold an EOGM	d. None of the above
52. XYZ Ltd, donated material to a politician for distribution to general public value of which is not exceeding 3% of its net profits of the previous financial year, after obtaining requisite approval of members. Is it a valid transaction?			
a. Yes since approval of members is obtained.	b. Yes Since it is within the limit of 3% of net profits of the previous financial year.	c. Both A&B	d. It is Invalid.
53. PQR Ltd subscribed shares of QP Ltd, a producer company by obtaining approval of members in the general meeting. However the total amount of subscription is 50% of its paid up capital. Is approval of central government required?			
a. Yes since it exceeds the limits	b. No members' approval is sufficient.	c. No it is to be calculated on total of paid up capital and free reserves.	d. None of the above
54. PZ Ltd, wants to issue bonus shares to its members by capitalization of its general reserves. Can a Producer Company Issue Bonus Shares?			
a. No	b. Yes with prior approval of board only.	c. Yes with approval of Members	d. Yes with approval of Board and central government.
55. Mr. Ajay, a member of a producer company wants to transfer his shares to Mr. Rupesh. Can he do so?			

a. Yes, with approval of other members	b. Yes, with approval of Board	c. Both a & b	d. No, shares cannot be transferred.
56. Light Producer Company Ltd. wants to grant credit facility to a member who is a relative of a director for a period of 2 months. The transaction is approved in the Board meeting. Is this transaction within the powers of board as per Section 581R?			
a. The Board Can grant credit facility subject to a limit	b. No, the board cannot grant the credit facility.	c. Yes, the Board can grant without any limit	d. No, members' approval is mandatory.
57. James Ltd. has a paid up capital of Rs 5 Crores in previous financial year. Is it mandatory to appoint a Whole Time Company Secretary?			
a. Yes	b. No	c. Not mandatory	d. None of the above
58. Mr. Joy a member of Race Ltd has ceased to be a primary producer. The Board has asked Mr. Joy to surrender his shares at par. Mr. Joy does not agree to such surrender of Shares. Is he entitled to continue as Member of the company?			
a. No Mr. Joy is liable to surrender his shares	b. Mr. Joy can continue to be a member	None of the above	
59. PJ Ltd wants to appoint an internal auditor as per section 581ZF. It intends to appoint AZ & Associates, a Cost Accountant firm as internal auditors. Can a Cost Accountant be appointed as internal auditor?			
a. Yes		b. No	

Answer

1. d	2. b	3. a	4. b	5. a		
6. b	7. b <i>(Hint: vacation is not required as he is sentenced for a period less 6 months)</i>			8. c	9. d	10. d
11. c	12. a	13. c	14.	15. b <i>(Hint: any contribution to political party is not allowed)</i>		
16. c		17.d	18. b	19. c	20. b	
21. c	22. d	23. b	24. a <i>(Hint: Every producer company having average annual turnover exceeding Rs.5 Crores in each of 3 consecutive financial years shall appoint a whole time secretary who is member of ICSI)</i>			25. b
26. b	27. c	28. b <i>(Hint: Every producer company having average annual turnover exceeding Rs.5 Crores in each of 3 consecutive financial years shall appoint a whole time secretary who is member of ICSI)</i>			29. d	30. a
31. b		32. d	33. a	34. b	35. a	
36. c		37. b	38. a	39. b	40. a	
41. d		42. a	43. a	44. a	45. b	
46. a		47. a	48. c	49. c	50. b	
51. a		52. d	53. c	54. c	55. b	
56. d		57. b	58. a	59. b		