

# **COMMERCE LAB**

## **for**

### **B.Com. VI Semester**



**University Arts & Science College**  
**Kakatiya University, Warangal**

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# COMMERCE LAB

## *Syllabus*

### **UNIT-I: BASIC BUSINESS DOCUMENTS:**

Trade license under Shops and Establishments Act - Labor license from Department of labor - Partnership Deed - Pollution, Health licenses – Quotation - Invoice form and preparation - Computation of simple interest, compound interest and EMI - Way bill used during transport - Debit Note and Credit Note - Audit Report.

### **UNIT-II: FINANCE, BANKING AND INSURANCE DOCUMENTS:**

Promissory Note - Bill of exchange – Cheque - Pay in slip - Withdrawal form - Account opening and Nomination form - Deposit form and Deposit Receipts - Loan application form – Insurance Proposal form and Insurance Policy - ATM Card Application form - Credit appraisal report - Insurance agency application procedure - ESI / PF membership form.

### **UNIT-III: BUSINESS LEGAL DOCUMENTS**

Memorandum of Association - Articles of Association - Certificate of Incorporation – Prospectus - Certificate of Commencement of Business - Annual Report – Chairman's Speech - Model bye-laws of some society - Society/ Trust registration form - Complaint in a Consumer forum – Complaint under Right to Information Act.

### **UNIT-IV: DOCUMENTS OF TAXATION:**

PAN application under Income Tax Act - TAN application under Income Tax Act - Form:16 to be issued by Employer - TDS and its certificate u/s15 - Income Tax payment challans and Refund Order - Income Tax Returns including TDS Return - Notices under Income Tax Act – Assessment Order - VAT/TOT Dealer-Application and License - Registration under Service Tax.

### **UNIT-V: BUSINESS CHARTS:**

Elements of business - Forms of business organizations - Procedure of incorporation of companies - Classification of partners with salient features of each of them - International, National, State level and Regional entrepreneurs - Hierarchy of Banking business in India - Tax administration in India - Various taxes imposed in India - Export and import procedure - Purpose and powers of authorities like RBI, SEBI, IRDA, ROC.

**UNIT-I: BASIC BUSINESS DOCUMENTS:**

**Trade license under Shops and Establishments Act - Labor license from Department of labor - Partnership Deed - Pollution, Health licenses – Quotation - Invoice form and preparation - Computation of simple interest, compound interest and EMI - Way bill used during transport - Debit Note and Credit Note - Audit Report.**

**OBTAINING TRADE LICENSE UNDER SHOP AND ESTABLISHMENT ACT**

An individual who is commencing a new business needs to get the business registered with the local government unless he is doing the business with his own name like James plumber. However, registration of business is different from obtaining trade license. Trade license is the permission that one needs to get from the government to begin a business. This process of obtaining a license varies from country to country, state to state, etc. In this blog, I have discussed the process of obtaining trade license.

**Necessity of Trade License**

One need to get trade license as it is mandatory in law. It is very similar to driving license. If one is caught driving a car without any license he will be penalized for the same. Similarly if one is conducting a business without any trade license that person's business would be considered illegal and he might have to pay heavy penalty depending upon the nature and duration of the business. The government has made it necessary for one to get trade license to ensure that one is not carrying out unethical business practices and is following relevant rules, safety measures and guidelines. The requirement for trade license was made compulsory to ensure that the government can regulate various trade activities in the country.

**Businesses for which Trade License is Necessary**

Trade licenses are necessary for three kinds of business. These types are as follows-

- a. All the eating establishments like hotels, restaurants, canteen, food stall, bakeries, sale of vegetables, meat, provisions store, etc.
- b. Trades which use motives like manufacturing industries, factories, power looms, flour mills, cyber café, etc.
- c. Offensive and dangerous trades like barber shop, dhobi shop, timber wood, sale of fire wood, candle manufacturer, cracker manufacturer, etc.

These three types of trade have covered almost all the business and service activities. Thus, for every legal business or service activity, one needs to obtain trade license.

**Some Legal Technicality of Trade License**

This trade license has to be obtained within *30 days* of commencement of the business in some states like Bombay, Uttar Pradesh, Karnataka, etc. It normally takes *8 days to obtain a trade license*, however, if the documents are incorrect or incomplete it might take more than 8 days.

If an individual violates the condition of license or cause nuisance in the neighborhood or surrounding then the license might be canceled or revoked. The renewal period of issuing a license is *1<sup>st</sup> January to 31<sup>st</sup> March every year.*

### **Rules and Regulation under the Act**

Trade license is obtained under Shop and Establishment Act. The Act regulates following rules and working conditions-

- a. The Act specifies the permissible working hours per day and per week.
- b. Along with fixed working hour the act also specifies the rest intervals, opening and closing hours, holidays, overtime policies, closed days, spread over of work, etc.
- c. The Act also specifies the regulation for the employment of young people and women.
- d. It also specifies the rules and regulations for paid leaves like maternity leave, sick leave, etc.
- e. It also regulates the conditions for employment and termination.
- f. It states the requirement of maintaining registers and records and necessity of displaying notices.
- g. It also specifies the obligation and responsibility of employers and employee towards each other, to the firm and to the society.

### **General Procedure**

The process of obtaining, maintaining or terminating the trade license is very simple. However the procedure varies from state to state. Following is the general procedure to which few more formalities needs to be added depending upon the state rules.

#### ***Commencement of Business:***

To get a Registration Certificate one needs to file an application along with fees details and needs to send to an Inspector (Chief Inspector of Shops or any other Inspector under the Act) for inspection. The details should also include:

- a. Name of the business or service center, owner, managers, if any;
- b. Address along with pin code of the Business or Service Center, where posts can be mailed;
- c. Any other specifics as may be recommended.

The certificate of registration will be issued once the Inspector has verified the statements. He will register the establishment in the 'Register of Establishments'. After receiving the certificate one needs to conspicuously display the certificate at the establishment and have to be cautious about the renewal policy.

#### ***Amendment to Certificate***

Any amendment or change that has to be made in the certificate should be communicated to the official within 15 days of the occurring of the change. The Inspector would issue a new certificate with the change afterward.

**Closure of the Business**

In case one has closed their business, the same has to be communicated to the officer within 15 days of the closure date. The officer would record the updates in the 'Register of Establishments'.

**Process for Labour Licensing under Contract Labour Act:**

Every Shop and Establishments in State of Telangana Should Register under Principal Employer under Contract Labour Act

Procedure:

Steps	Forms	Documents to be Attached	Fee	Timelines
Submit	Online application form "Form I"	*Follow Checklist below	Online fee payment (As per the fee structure given below)	30 days as from the date of submission of the application as per Citizen's Charter. Deemed Registration at the end of <b>30 days</b> from Application if no adverse orders passed
Issue	Form II			

*System sends SMS to respective applicant at each progression.*

*In case of any clarifications, the applicant is informed on actions to be taken and start date will be after all the clarifications have been received.*

*Online application process requires no physical touch point.*

**Checklist**

- 1 Form No-I i.e Application for Registration
- 2 List of Contractors including details such as 1). Name and address of the contractor, 2). Nature of Work, 3). No.of Contract Labour engaged and 4). Date of commencement of contract work.
- 3 Form No.-VI B i.e. Notice of Commence of Contract Work by the Principal Employer in

**Fee Details**

Fees Structure for obtaining Registration certificate		
1	5-20 Employees	□ 500/-
2	21-50 Employees	□ 1,000/-

3	51-100 Employees	<input type="checkbox"/> 2,000/-
4	101- 200 Employees	<input type="checkbox"/> 5,000/-
5	201-400 Employees	<input type="checkbox"/> 10,000/-
6	401 and above Employees	<input type="checkbox"/> 15,000/-

### Partnership Deed:

A partnership deed also called as a partnership agreement, is a record that outlines in detail the rights and functionalities of all parties to a business operation. It has the force of law and is designed to guide the partners in the conduct of the business.

The Partnership comes into the limelight when:

- There is an outcome of agreement among the partners.
- The agreement can be either in written or oral form
- The Partnership Act does not demand that the agreement has to be in writing. Wherever it is in the form of writing, the document, which comprises terms of the agreement is called 'Partnership Deed'
- It normally comprises the attributes about all the characteristics influencing the association between the partners counting the aim of trade, contribution of capital by each of the partner, the ratio in which the gains and losses will be divided by the partners and privilege and entitlement of partners to interest on loan, interest on capital, etc.,

The sections of partnership deed can be modified with the accord of all the partners. The deed must be appropriately drafted and outlined as per the provisions of the 'Stamp Act' and ideally registered with the Registrar of Firms.

### Partnership Deed Contents

While making partnership deed all the provisions and the legal points of the partnership deed are included. This deed also includes basic guidelines for future projects and can be used as evidence at times of conflict or legal procedures. For a general partnership deed below mentioned information should be included.

- The Partnership Firm name accepted by all the partners should be mentioned. The name should not have titles like "company" or "private company"
- Business nature should be mentioned
- The origin date of the business
- Headquarters and branches address
- Duration of Partnership (if applicable)
- Partner's contribution to the capital, Profit sharing ratio, and Salary to be mentioned
- Interest on contribution and the Interest. Retirement or suspension terms and conditions of the retirement or expulsion of a partner

- Preparation of the business's accounts and the terms for internal and legal audit
- Procedure for dissolution of a firm and guidelines for resolving any conflicts and agreement method to follow

### **Pollution, Health licenses –**

#### **How to get Pollution License/Certificate for business in India**

If you are planning on starting any business which could potentially generate pollutants such as chemical waste, detergent washing, fly ashes, smoke emissions (including cooking smoke), medical waste to name a few – also referred to as trade effluents, then you will need to make an application to the respective State Pollution Control Board and obtain a pollution license/Certificate or a consent to establish your business.

This consent to establish (let's call it CTE) will have to be obtained prior to commencement of construction or any similar activities to start the business.

Once the construction/ set up phase is complete, then you will have to apply and obtain a consent to operate (abbreviated as CTO). This CTO will usually be valid for a period of 5 years, which may vary State to State.

#### **What Industries typically requires Pollution Consent?**

The Ministry of Environment, Forest and Climate Change (MoEFCC) has developed the criteria of categorization of industrial sectors based on the Pollution Index which is a function of the emissions (air pollutants), effluents (water pollutants), hazardous wastes generated and consumption of resources.

See the list of industries that the Central Pollution Control Board has specified, as requiring a pollution license in the red, orange, green and white category.

As the name suggests, the **Red category industry** has the highest pollution index, such as big manufacturing industries, large hotels, hospitals, etc. The **orange category** is a relatively medium-sized enterprise, which still generates comparatively high levels of pollutants. Whereas the **Green category** is the set of the industry with low pollution Index. And finally the white category, which is practically non-polluting.

#### **Exempted Industries from Obtaining the Pollution Consent**

Industries falling under the **white category** which is practically non-polluting does not need a pollution license/ or CTO. A simple intimation to concerned pollution control board about intention to set up such an industry/ business will suffice.

These White Category of industries has to however satisfy these condition to be eligible for this pollution license exemption:-

1. The industry is established/being established in the demarcated Industrial Estates/Zones classified by the State Authorities viz PSIEC, Department of Industries, PUDA, CTP under draft Master Plan or in mixed category area or predominantly Industrial areas within Municipal limit of a Town/City after classification of the area by CTP/STP/DTP.
2. The investment in the industry is not more than Rs. 1 Crore on plant and machinery.

3. There will not be any discharge of trade effluent from the industry into stream or well or sewer or onto land and/or that industry will not discharge any air pollution including noise into the atmosphere.
4. The industry will not discharge any toxic/hazardous wastes and will not handle any toxic/hazardous chemicals.

**Documents Required for obtaining CTE (Consent to Establish) :**

Every application for CTE shall be made in Form II in the case of any industry. This process has been moved online. You can refer to any state's pollution control Board website. Here is an example of the State of Tamil Nadu.

Consent fee shall be paid Along with the application, depends on the category of the Industries with the following documents.

1. Copy of attested Sale Deed /Lease Deed or any other relevant documents as proof to ensure possession of the site/factory for which application is made by the applicant.
2. Copy of attested Memorandum of Articles in case of Public/Private sectors or registered partnership deed in case of the partnership company
3. Layout plan showing the location of various process equipments, utilities like boiler, generator etc, effluent treatment plant, outlet location, non-hazardous and hazardous waste storage yard.
4. Topo sketch showing the distance of water bodies, roads, existing/proposed residential areas, agricultural lands, important religious locations, educational institutions, ancient monuments, archeological places and other sensitive areas for 1 KM. radius from the units.
5. The detailed manufacturing process for each product along with a detailed process flow chart.
6. Details of Water Balance and wastewater balance for the process.
7. Details of Material balance for each product and process.
8. Land use classification certificate as obtained from CMDA/ DTCP/LPA.
9. Auditor's Certificate with break up details for the proposed Gross fixed Assets duly certified by a Chartered Accountant in the prescribed format.
10. Consent fee under Water and Air Acts payable to the Board.
11. Groundwater clearance obtained from the competent Authority(If applicable).
12. Sewage Treatment Plant(STP) proposal which must contain details of design characteristics of sewage, treatment methodology, mode of disposal, design criteria for various units, detailed drawing of STP and its layout, a diagram showing the hydraulic profile and mode of disposal of treated sewage and its adequacy(If applicable).
13. Effluent Treatment Plant (ETP) proposal which must contain details including breakup quantity of water requirement with sources, breakup quantity of trade effluent, sources of trade effluent, characteristics of wastewater, treatment methodology, mode of disposal, design criteria for various units, detailed drawing of ETP and its layout, diagram showing the hydraulic profile and mode of disposal of treated effluent and its adequacy (If applicable).
14. Air pollution control (APC) measures proposal which must contain the details regarding fuels used, sources of emission, characteristics, concentration and quality of pollutant,

proposal along with design criteria and drawing for the proposed APC measures, adequacy of APC measures and stack, odour/noise-causing operations and its specific odour/noise control measures (If applicable).

15. In the case of hazardous chemicals used as raw materials, the Material Safety Data Sheets (MSDS) should be enclosed for each and every item. If the quantity of the hazardous chemicals handled is more than the threshold limit, the unit shall furnish any one or combination of the following documents as required under the MSIHC Rules (If applicable): Risk assessment report/Onsite emergency preparedness plan/Off-site emergency preparedness plan.

16. In the case of transport of hazardous chemicals, details of chemicals transported, method of transport and its safety measures (If applicable).

17. Industries attracting EIA Notification shall submit Environmental Clearance obtained from the MOEF/SEIAA along with the Environmental Impact Assessment Report (If applicable).

18. CRZ clearance obtained from the competent Authority (If applicable).

### **What if you don't obtain this Consent to Establish**

Whoever contravenes the provisions of section 25 or section 26 shall be punishable with imprisonment for a term which shall not be less than one year and six months but which may extend to six years and with fine.

We hope this blog would have given a better understanding and guidance on getting a Pollution License/Certificate for business in India. But still, before proceeding with the above procedures, we recommend you to take proper consultation from **corporate legal experts** for a better understanding. And it's our responsibility to abide by the pollution rules which safeguards our business as well as our environment.

### **Health License in India**

With the growing day to day opportunities in India which had increased the ease of doing business in India. Nowadays, India has become a popular destination for the commencement of new businesses. For setting up of new business, it not only requires a lot of investment in terms of time, money and expenditure, but it also requires a lot of permits and licenses. A license is an authorization by any governmental or any regulatory authority to carry on a business in a particular manner. The 11th schedule of the Municipal Corporation Act (1957)<sup>[1]</sup> is about Health License. Under Section 394 of the Mumbai Municipal Corporation Act, 1888 it is mandatory to apply for a Health License in India. The licenses are issued to ensure that no one will be severely affected by any unfair practice or nuisance associated with the business. In this article, the process followed for obtaining the License in India is discussed.

### **What is the Process for Health License in India?**

The procedure for applying for Health License in India is a simple task now. The process for obtaining a License is different for Municipal Corporation of all States. The applicant can apply for the Health License *online at State's Municipal Corporation website. The forms for*

license are available online at the website of each State's Municipal Corporation. The applicant has to submit the application form in the prescribed manner as given in the Act with all the required documents as needed for Health License in India. The License Department of the Municipal Corporation of each State issues the Health License for commencing a business in a State. The license is generally issued in a time period of 60 days from the date of submission of the application form. For license issuance, the Senior Inspector of the License Department of a Municipal Corporation will be the Approving Authority.

**What are the Eligibility Requirements for obtaining Health License in India?**

*The eligibility requirements are as follows:*



**Major**

- The applicant of the license should be a major, i.e. crossed 18 years of age.

**No criminal record**

- The applicant should not be engaged in any unlawful practices.

**Legally Permissible Business**

- The business of the applicant must be lawfully allowed.

**What are the Documents Required for Health License in India?**

*The following things are required for obtaining a License in India:-*

- Proof of Possession of the Premises.
- Proof of Authenticity of the Premises (like Copies of paid electricity bills and paid water bills)
- Proof of Fire Safety Measures
- Memorandum of Articles(MOA)
- License (if any)
- No Objection Certificate (NOC) from Commissioner of Police
- List of Ancillary Commodities
- Permanent Account Number (PAN) Card
- Three copies of Layout/Site plan
- Plan of the Premises

- Indemnity bond of Rs.100
- Medical Certificate of all the person employed
- Structure Stability Certificate of the building by the Structure Engineer
- Water Testing Reports
- Letter of Delhi Police for swimming pools, cinema halls and hotels
- Sewer connection Proof
- Self Declaration

**What are the Requirements for License Renewal?**

The validity period of a license is issued by the Municipal Corporation, and the renewal date is also given in the license itself. The application for the renewal of the license is to be *made within 30 days from the date of its expiry*. In case the license renewal process is *delayed, fine will be processed*.

The documents required for the renewal process of the Health License are as follows:

- Original copy of the Health License
- Identity proofs of the Partners
- Previous year Challans
- Property tax paid receipt of the Premises
- Application of Renewal

**What is the Fee for Obtaining a Health License in India?**

The fee required for the issuance of the Health License differs for different types of businesses. As per the information provided in the different Municipal Corporations, *Scrutiny Fee* will be payable at the time of submission of New Health License in India. After the approval of the application of License, *Schedule Fee* will be payable by the competent authorities for the application.

**What are the penalties if procedure prescribed for obtaining a Health License in India is not followed?**

There are various rules and regulations which are to be followed by the person registered with the business. In case of failure to comply with the given rules and regulations for Health License and commencing any activity related to business before license issuance, the person liable will have to pay the penalty prescribed in the Act. The failure to comply with requirements to be followed before and after the issuance of the License can also result in closure of the business permanently.

**Conclusion**

For carrying out activities in the health trade centre, the business person is required to obtain a Health License from the respective Municipal Corporation of different States. The Health License ensures the person associated with trade to be free from any harmful risks associated with it. Licensed businesses attract more customers and provide customers with a risk-free environment to work.

**Quotation - Invoice form and preparation -**

A quotation is also often known as a quote. It is a document that a supplier will submit to a potential client that lists the proposed prices for the supplier's goods or services. The quotation is normally created based on certain conditions stipulated by the client. Generally, if the supplier had fixed rates, there would be no need for a quotation. Therefore, a quotation is often required for services but is also commonly used by businesses that sell goods.

By sending the quotation to the potential client, the supplier is committing to the proposed price. The quotation, then, is quite different from an estimate, as an estimate is not binding for the supplier. Because the quotation is binding, it should take into consideration all the costs associated with the job and be calculated with a markup in order for the business to make a profit.

Quotations usually include quite a bit of details. In the quotation, the supplier will include a breakdown of the factors that have led to the specific price, such as taxes/VAT, material costs, labor, etc. Also included is the time frame for when a service will be completed or for when the goods will be delivered.

Quotations may often also include the time period for when it is valid (after the period is expired, a new quotation will be required), as well as a clarification of changes in price due to adjustments or modifications to the original invoice.

### Specimen of Quotation:

#### A Bike Company



Kate  
Carrow Road  
Norwich  
NR1 1JE  
VAT No. 333444555

Quote No. 33

Date 20/02/2019  
Valid Until 06/03/2019  
Customer No. 11

Description	Quantity	Unit	Price	Amount
Repairs Replacing both wheels, replacing breaks, tightening gears, cleaning chain	4	hour	24.00	96.00
Wheel	2	each	60.00	120.00
Breaks	1	each	36.00	36.00

Subtotal without VAT 210.00  
VAT 20 % of 210.00 42.00  
Total GBP 252.00

**Invoice:**

An invoice is what you send a client after you've delivered your product, but before you get paid. The invoice tells your client how much they need to pay you, and sets the payment terms they need to follow. Sellers sometimes call it a "sales invoice."

If you're selling to a business, the invoiced amount gets entered as accounts payable on their end—money coming out of their pocket. On your end, it becomes an item in your accounts receivable—money going into your pocket.

Invoices also leave a paper trail. That's a good thing. In the event you get audited, you'll need organized, numbered invoices, so you can explain to the IRS where your money came from.

**Specimen of Invoice:****INVOICE****BILL TO**

**Bench Accounting**  
545 Robson St  
Vancouver BC, V6B2B7 Canada  
info@bench.co

**Invoice Number** 000123  
**Invoice Date** May 10, 2018  
**Payment Due** May 30, 2018

**Shipping Details**

<b>Order Date</b>	May 10, 2018
<b>Est. Delivery Date</b>	May 10, 2018
<b>Method</b>	Ground
<b>Trackable</b>	Yes
<b>Shipping To</b>	545 Robson St Vancouver BC, V6B 2B7 Canada
<b>Note</b>	To be delivered to cargo bay #2

Item	Qty	Unit Cost	Amount
10 Chairs Comfortable but overpriced chairs	10	\$500.00	\$5,000.00
<b>Subtotal</b>			\$5,000.00
<b>Tax (13.0%)</b>			\$5,650.00
<b>Total Amount Due</b>			\$5,650.00

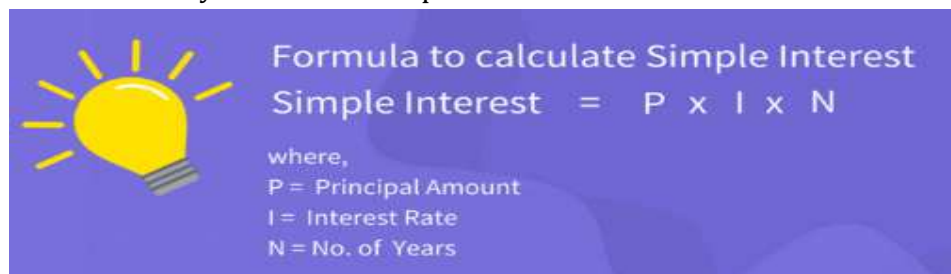
**ACME Industries**  
123 Acme Avenue Smallville, AZ, 54354 USA

business@acme.com

**Computation of simple interest, compound interest and EMI –****Simple Interest**

Here, the lender levies interest only on the amount he has loaned. The former is the type of interest where the interest is charged only on amount loaned originally. So, simple interest is the sum paid for using the borrowed money, for a fixed period. It is essentially a percentage of the actual loan charged for the borrowing tenure. For instance, when you put an FD of Rs. 1 lakh in a bank at the rate of 7% for one year, the bank uses your money for its operations in that duration. In exchange for that you will receive Rs. 7000 interest income annually.

See how easy and quick it is to estimate simple interest! Auto loan is another example for this. The more money you borrow/lend and the longer the tenure is, the greater will be the interest. Here is how you calculate simple interest.



**Formula to calculate Simple Interest**

$$\text{Simple Interest} = P \times I \times N$$

where,  
P = Principal Amount  
I = Interest Rate  
N = No. of Years

**Compound Interest**

Compound interest means the money you make other than simple interest income from your invested capital. So, your investment grows dramatically thanks to the power of compounding. Basically, it gives you potential to earn more than regular simple interest on your capital. It is up to the bank (or financial institute) to decide how often the interest can be compounded – daily, monthly, quarterly, six-monthly or annually. With more frequency, your interest accrual will also increase.

Of course, compound interest is highly beneficial as the pace of wealth growth is more here. For instance, if you invest Rs. 5000 at the rate of 10% interest and it compounds annually for 3 years, your corpus (investment + gains) will be Rs. 6655. Your gains will be Rs. 1655 as opposed to the Rs. 1500 you will make in simple interest. Again, if you increase the frequency of compounding from once a year to more, the interest income will be even higher. Therefore, finding out the compounding frequency can help you make a more lucrative choice when it comes to investing.

Here is the formula to get accurate compound interest:



**$A = P(1 + R/N)^{N \times T}$**

where,  
A denotes the amount you gain post compounding  
P is the principal outstanding  
R is the rate of interest  
N is the number of times that interest compounds annually  
T stands for the number of invested years

**Simple Interest Vs Compound Interest**

<b>Simple Interest</b>	<b>Compound Interest</b>
Levied only on the loan amount or principal	Levied on the loan amount as well as its interest
A small percentage of the principal as agreed between lender and borrower	A small percentage of principal and amassed simple interest as mutually agreed
Steady wealth growth	Wealth growth increases at a higher pace due to compounding
Less returns compared to compound interest	Higher returns compared to simple interest
Wealth growth is comparatively lower	Wealth accumulation will be at a higher rate
Principal never changes with increased tenure	Principal increases as interest compounds and gets added to it
Easy to calculate using the formula $P \times I \times N$	Difficult to calculate using the formula $P(1 + R/N)^{N \times T}$

**EMI:**

**Definition:** EMI or equated monthly installment, as the name suggests, is one part of the equally divided monthly outgoes to clear off an outstanding loan within a stipulated time frame.

**Description:** The EMI is dependent on multiple factors, such as:

- 1) Principal borrowed
- 2) Rate of interest
- 3) Tenure of the loan
- 4) Monthly/annual resting period

For a fixed interest rate loan, the EMI remains fixed for the entire tenure of the loan, provided there is no default or part-payment in between. The EMI is used to pay off both the principal and interest components of an outstanding loan. The first EMI has the highest interest component and the lowest principal component. With every subsequent EMI, the interest component keeps on reducing while the principal component keeps rising. Thus, the last EMI has the highest principal component and the lower interest component.

In case the borrower makes a pre-payment through the tenure of a running loan, either the subsequent EMIs get reduced or the original tenure of the loan gets reduced or a mix of both. The reverse happens when the borrower skips an EMI through the tenure of the loan (EMI holiday or cheque dishonor/bounce or insufficient balance in case of auto

deduction of EMI or a default); in that case either the subsequent EMIs rise or the tenure of the loan increases or a mix of both, apart from inviting a financial penalty, if any.

Similarly, in case the rate of interest reduces through the tenure of the loan (as in the case of floating rate loans) the subsequent EMIs get reduced or the tenure of the loan falls or a mix of both. The reverse happens when the rate of interest rises.

Suppose a person borrows Rs 1 lakh for one year at the fixed rate of 9.5 per cent per annum with a monthly rest. In this case, the EMI for the borrower for 12 months (1 year X 12 months = 12 months) works out to approximately Rs 8,768. The monthly payment schedule works out as follows:

Month	Principal Outstanding	Interest	Balance Remaining
	1,00,000	5,220	
1	7,977	792	92,023
2	8,040	729	83,983
3	8,103	665	75,880
4	8,168	601	67,712
5	8,232	536	59,480
6	8,297	471	51,183
7	8,363	405	42,819
8	8,429	339	34,390
9	8,496	272	25,894
10	8,563	205	17,331
11	8,631	137	8,699
12	8,699	69	0

### How is EMI calculated?

The mathematical formula to calculate EMI is:  $EMI = P \times r \times (1 + r)^n / ((1 + r)^n - 1)$  where P= Loan amount, r= interest rate, n=tenure in number of months. For instance, the EMI for a principal amount for Rs 1 lakh, 10% interest rate and 12 months tenure is shown in the following table:

Principal Amount	100000
Interest rate	10%
Tenure in number of months	12
EMI	8792

Considering the above mentioned three governing factors, the EMI payments are directly proportional to loan amount and interest rates and are inversely proportional to the tenure of loan. The higher the loan amount or interest rate, the higher is the EMI payments and vice versa. In case of tenure of loan, though the amount of total interest to be paid

increases with the increase in tenure, the EMI payments decrease with the increase in tenure.

**Way bill used during transport -**

EWay Bill is an Electronic Way bill for movement of goods to be generated on the eWay Bill Portal. A GST registered person cannot transport goods in a vehicle whose value exceeds Rs. 50,000 (Single Invoice/bill/delivery challan) without an e-way bill that is generated on [ewaybillgst.gov.in](http://ewaybillgst.gov.in).

Alternatively, Eway bill can also be generated or cancelled through SMS, Android App and by site-to-site integration through API.

When an eWay bill is generated, a unique Eway Bill Number (EBN) is allocated and is available to the supplier, recipient, and the transporter.

**When Should eWay Bill be issued?**

eWay bill will be generated when there is a movement of goods in a vehicle/ conveyance of value more than Rs. 50,000 (either each Invoice or in aggregate of all invoices in a vehicle/conveyance) –

- In relation to a 'supply'
- For reasons other than a 'supply' ( say a return)
- Due to inward 'supply' from an unregistered person

For this purpose, a supply may be either of the following:

- A supply made for a consideration (payment) in the course of business
- A supply made for a consideration (payment) which may not be in the course of business
- A supply without consideration (without payment) In simpler terms, the term 'supply' usually means a:
  1. Sale – sale of goods and payment made
  2. Transfer – branch transfers for instance
  3. Barter/Exchange – where the payment is by goods instead of in money

Therefore, eWay Bills must be generated on the common portal for all these types of movements. For certain specified Goods, the eWay bill needs to be generated mandatorily even if the value of the consignment of Goods is less than Rs. 50,000:

1. Inter-State movement of Goods by the Principal to the Job-worker by Principal/ registered Job-worker\*\*\*,
2. Inter-State Transport of Handicraft goods by a dealer exempted from GST registration

**Who should Generate an eWay Bill?**

- **Registered Person** – Eway bill must be generated when there is a movement of goods of more than Rs 50,000 in value to or from a registered person. A Registered person or the transporter may choose to generate and carry eWay bill even if the value of goods is less than Rs 50,000.

- **Unregistered Persons** – Unregistered persons are also required to generate e-Way Bill. However, where a supply is made by an unregistered person to a registered person, the receiver will have to ensure all the compliances are met as if they were the supplier.
- **Transporter** – Transporters carrying goods by road, air, rail, etc. also need to generate e-Way Bill if the supplier has not generated an e-Way Bill.

Documents or Details required to generate eWay Bill

1. Invoice/ Bill of Supply/ Challan related to the consignment of goods
2. Transport by road – Transporter ID or Vehicle number
3. Transport by rail, air, or ship – Transporter ID, Transport document number, and date on the document

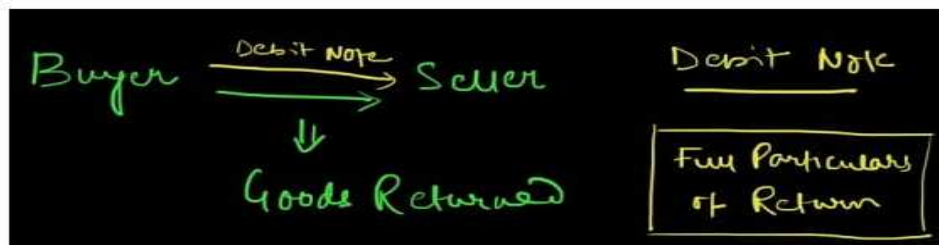
### Debit Note and Credit Note –

Debit note and credit note are frequently used documents in any business and is of paramount importance for adjustments in the balances of debtors and creditors. In this article, I am going to discuss the meaning and uses of debit note and credit note.

Let's start with debit note first.

### DEBIT NOTE

When goods are returned, the purchaser returning the goods prepares a memo with full particulars of the return and sends it to the supplier to whom the goods are returned. This memo is called the Debit Note.



A Debit Note is also used by a Purchaser when he has been *wrongly overcharged* or when he *claims an allowance for damaged goods* from the supplier.

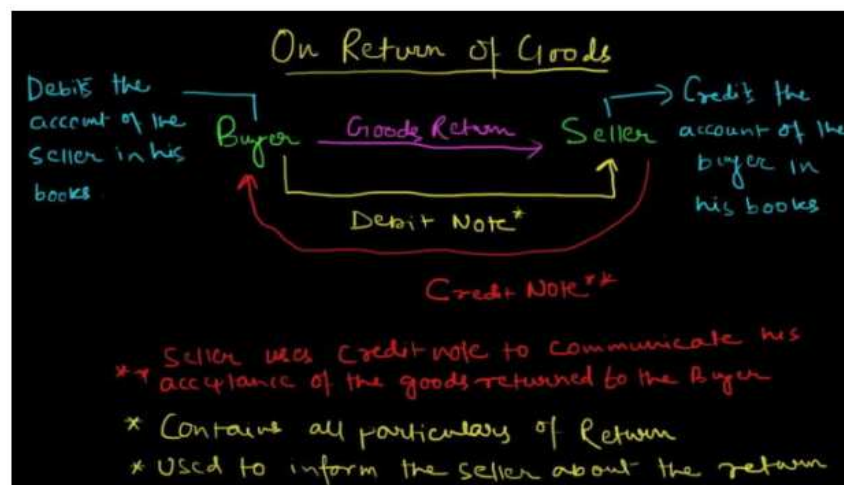
***Thus, a debit note may be defined as a document sent by a customer (or debtor) to his supplier (or creditor), showing that the supplier's or creditor's account has been debited by the amount shown.***

<u>DEBIT NOTE</u>							
DEBIT NOTE NO. _____ YOUR INVOICE NO. _____  M/S ANAND & SONS SALT LAKE, KOLKATA	ROY & CO. CANAL EAST ROAD KOLKATA						
Return of 15 Kg. Sugar received damaged in transit @ Rs 35 per kg.	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: right;">Rs.</td> </tr> <tr> <td></td> <td style="text-align: right;">525.00</td> </tr> <tr> <td></td> <td style="text-align: right;">525.00</td> </tr> </table>		Rs.		525.00		525.00
	Rs.						
	525.00						
	525.00						
E. & O.E.  Date: _____	for Roy & Co.  _____ (Signature)						

*Format of a Debit Note*

## CREDIT NOTE

When goods sold are returned to a seller by his customer for some reason or the other, the memo issued by the seller to the customer acknowledging the receipt of the goods is called a Credit Note.



*The Whole Process of Debit and Credit Note*

From the above illustration you can have an idea of the whole process of the Debit Note and Credit Note cycle that takes place on the event of return of goods.

However, as discussed above in Debit Note, a Credit Note can also be issued by the seller when

- a customer has been **overcharged**; or
- is given an **allowance for damaged goods**

*CREDIT NOTE IS NOTHING BUT AN ACCEPTANCE OF THE DEBIT NOTE*

<b><u>CREDIT NOTE</u></b>							
CREDIT NOTE NO. _____ YOUR DEBIT NOTE NO. _____	<b>M/S ANAND &amp; SONS</b> <b>SALT LAKE, KOLKATA</b> <b>KOLKATA</b>						
<b>ROY &amp; CO.</b> <b>CANAL EAST ROAD</b> <b>KOLKATA</b>							
Return of 15 Kg. Sugar received damaged in transit @ Rs 35 per kg.	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="width: 20%; text-align: center;">Rs.</td> </tr> <tr> <td></td> <td style="text-align: center;">525.00</td> </tr> <tr> <td></td> <td style="text-align: center;">525.00</td> </tr> </table>		Rs.		525.00		525.00
	Rs.						
	525.00						
	525.00						
E. & O.E.  Date: _____	for Anand & Sons  _____ (Signature)						

*Format of a Credit Note*

From the above format of the Credit Note, you will notice that it is nothing but a mirror image of a Debit Note.

***Thus, a Credit Note may be defined as a document sent by the seller to a customer showing that the customer's account has been credited with the amount shown.***

So that was all about Debit Note and Credit Note. Please keep in mind that Debit Notes and Credit Notes can be used in any situation where the buyer and seller need to adjust their balances in each other's books for a valid reason mutually agreed by the two.

### **Audit Report.**

Audit Report Contents are the basic structure of the audit report which needs to be clear, providing sufficient evidence providing the justification about the opinion of the auditors and includes Title of Report, Addressee details, Opening Paragraph, scope Paragraph, Opinion Paragraph, Signature, Place of Signature, and Date of the Report.

### **Contents of Audit Report**

Auditor should check the books of accounts and balance sheet and need to prepare the audit report addressing to the shareholders and present it to the concerned department and to the company. Copy of such report should be sent to all the shareholders. Audit report should contain the following things.

1. Answer, clarification and explanation of furnished questions are given by the concerned authority satisfactory or not.

2. Income statement and balance sheet is prepared by the company in prescribed structure or not.
3. Accounts are maintained as per the provision of laid down rules and regulations or not.
4. Balance sheet of the company presents true and fair view of financial position or not.
5. High ranking official, representatives and staffs of the company have performed work as per the provision of rules and regulations or not; they have committed fraud or not.
6. Transactions of the company are satisfactory or not.
7. Auditor should provide suggestion if necessary.

In addition to above facts, an auditor should include other facts using his own discretion. Other facts which are to be incorporate in the report are given below:

1. An auditor should include all the facts demanded by the Company Act.
2. Auditor should include the true and fairness of books of accounts as well as facts where he is not able to satisfy himself.
3. Auditor should include all the important facts which directly affect the financial position of the company.
4. Some abnormal transactions which are found during the course of audit but they are necessary for the company should be incorporated in the audit report.
5. If financial statements like income statement and balance sheet are not maintain properly, an auditor should clearly state in the audit report.
6. An auditor should include in the report that the audit of books of account is made in detail or applying test check.
7. If there is special situation, an auditor should include it in the audit report.
8. If auditor detects any frauds and errors during the course of audit, he must include in audit report clearly stating their effect in financial statements. Like regarding valuation of stock, depreciation system demarcation of capital and revenue etc.

**UNIT-II: FINANCE, BANKING AND INSURANCE DOCUMENTS:**

**Promissory Note - Bill of exchange – Cheque - Pay in slip - Withdrawal form - Account opening and Nomination form - Deposit form and Deposit Receipts - Loan application form – Insurance Proposal form and Insurance Policy - ATM Card Application form - Credit appraisal report - Insurance agency application procedure - ESI / PF membership form.**

**Meaning of Finance, Banking & Insurance:**

Finance is defined as the management of money and includes activities such as investing, borrowing, lending, budgeting, saving, and forecasting.

In other words, Finance involves the study of money and banking, investments, credit, assets and liabilities that make up financial systems, and various financial instruments. In short, it refers to *money management*.

**Bank**

A bank is a financial institution licensed to receive deposits and make loans. Banks may also provide financial services such as wealth management, currency exchange, and safe deposit boxes. There are several different kinds of banks including retail banks, commercial or corporate banks, and investment banks. In most countries, banks are regulated by the national government or central bank.

**Banking**

Banking is directly or indirectly connected with the trade of a country and the life of each and every individual. It is an industry that manages credit, cash, and other financial transactions. In banking, the commercial bank is the most influential institution for any country's economy or for providing any credit to its customers. In India, banking company is responsible for transacting all the business transactions including withdrawal of cheques, payments, and investments, etc. In other words, the bank is involved in the deposit and withdrawal of money, repayable on demand, savings and earning a decent amount of profits by lending money.

Bank also helps to mobilize the savings of an individual, making funds accessible to business and help them to start a new venture.

**Insurance:**

**Insurance** is a means of protection from financial loss. It is a form of risk management, primarily used to hedge against the risk of a contingent or uncertain loss. An entity which provides **insurance** is known as an insurer, **insurance** company, **insurance** carrier or underwriter.

**Insurance** provides protection: The **main function of insurance** is to provide protection against risk of loss. The **insurance** policy covers the risk of loss. The **insured** person is indemnified for the actual loss suffered by him. **Insurance** thus provide financial protection to the **insured**.

## Promissory Note

### Meaning:

A promissory note is a legal, financial tool declared by a party, promising another party to pay the debt on a particular day. It is a written agreement signed by drawer with a promise to pay the money on a specific date or whenever demanded.

This note is a short-term credit tool which is not related to any currency note or banknote.

### Types of Promissory Notes

Depending upon the kind of promissory loan, notes are of different types. Few are mentioned below.

- **Personal Promissory Notes** – This is a particular loan taken from family or friends. Though people avoid legal writings when seeking a loan from close contact, the promissory note shows belief and trust in the interest of the borrower.
- **Commercial** – Here, the note is made when dealing with commercial lenders such as banks. Most of the commercial promissory agreement is similar to personal notes.
- **Real Estate** – This is similar to commercial notes in terms of nonpayment consequences. If the borrower becomes a defaulter, then the party has the right to keep the property until the debt is cleared. It is a little risky as all the essential details become public, which can hinder the borrower's credit history in the future.
- **Investments** – The promissory note is occasionally used to raise funds for the business. It is used as a security purpose and managed by securities laws. It includes terms and conditions related to returns of investment.

### Parties of Promissory Note

All promissory notes constitute three primary parties. These include the drawee, drawer and payee.

- **Drawer:** A drawer is a borrower or debtor who promises to pay the debt to the moneylender.
- **Drawee:** She/He is an individual, in whose favour the note is prepared. She/He is the creditor and provides goods or services on credit or lends capital.
- **Payee:** A payee is someone to whom the payment is made.

Most of the times, the payee and drawee are the same people to whom the cash is paid. The party who has loaned the money keeps the promissory note, and when the due is cleared, the payee or drawee cancels the note and gives it to the drawer/payee.

### Features of Promissory Note

- **Printed/Written Agreement** – A promissory should be in writing, and an oral promise to pay money is not accepted.
- **Pay Defined Amount** – It is a promise to pay the money on a particular time or when demanded. The mentioned amount can neither be added or subtracted.

- **Signed Documents** – The document is duly signed and drawn by the drawer and stamped.
- **Unconditional Promise** – The promise to pay a certain amount of money must be absolute in all cases. In such notes, a conditional guarantee is not accepted.
- **Legal Composition** – All the payment should be made in the nation's legal currency.
- **Detailed Information** – The note has all the required information including the name of the drawer and payee, date of maturity, terms of repayment, issue date, name of the drawee, name, and signature of the drawer, principal amount, and the rate of interest, etc.

## PROMISSORY NOTE TEMPLATE

Amount: \_\_\_\_\_ Date: \_\_\_\_\_  
Place: \_\_\_\_\_

I Mr. PQR make commitment to pay ABC Company, the Sum of  
₹ \_\_\_\_\_. Repayment is to be made in  
the form of 200 equal payments at the interest rate of 7.2% of  
₹ \_\_\_\_\_ payable on the 07th of each month,  
beginning 07/01/2018 until the total amount of debt is paid.

IN WITNESS WHEREOF, I set my hand under seal this \_\_\_\_ [the day] of  
\_\_\_\_\_ [month], 20\_\_\_\_ and I acknowledge receipt of a  
completed copy of this instrument.

\_\_\_\_\_  
Sign: [Signature of borrower]

\_\_\_\_\_  
Name & Address: [Party name]

Notary Public - SEAL  
My Commission Expire  
\_\_\_\_/\_\_\_\_/\_\_\_\_

**Bill of Exchange:****Meaning:**

According to the Negotiable Instruments Act 1881, 'a bill of exchange is defined as an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of a certain person or to the bearer of the instrument.'

**Features of Bill of Exchange:**

- It is important to have a bill of exchange in writing
- It must contain a confirm order to make a payment and not just the request
- The order should not have any condition
- The bill of exchange amount should be definite
- Fixed date for the amount to be paid
- The bill must be signed by both the drawee and the drawer
- The amount stated on the bill should be paid on-demand or on the expiry of a fixed time
- The amount is paid to the beneficiary of the bill, specific person, or against a definite order

**Types of Bill of Exchange**

- **Documentary Bill-** In this, the bill of exchange is supported by the relevant documents that confirm the genuineness of sale or transaction that took place between the seller and buyer.
- **Demand Bill-** This bill is payable when it demanded. The bill does not have a fixed date of payment, therefore, the bill has to be cleared whenever presented.
- **Usance Bill-** It is a time-bound bill which means the payment has to be made within the given time period and time.
- **Inland Bill-** An Inland bill is payable only in one country and not in any other foreign country. This bill is opposite to foreign bill.
- **Clean Bill-** This bill does not have any proof of a document, so the interest is comparatively higher than the other bills.
- **Foreign Bill-** A bill that can be paid outside India is termed as a foreign bill. Two examples of a foreign bill are an export bill and import bill.
- **Accommodation Bill-** A bill that is sponsored, drawn, accepted without any condition is known as an accommodation bill.
- **Trade Bill-** This kind of bill is specially related only to trade.
- **Supply Bill-** The bill that is withdrawn by the supplier or contractor from the government department is known as the supply bill.

### Advantages of Bill of Exchange

- **Legal Document-** It is a legal document, and if the drawee fails to make the payment it will be easier for the drawer to recover the amount legally.
- **Discounting Facility-** The bill bearer has to wait till the due date of the bill to receive the payment and it from the bank before its due date.
- **Endorsement Possible-** This bill of exchange can be exchanged from one individual to another for the adjustment of the debt.

### Bill of Exchange Format

₹4,00,000	Bangalore 1st June, 2018
Two months after date, pay to me or my order, the sum of Rupees Four lakh only, for value received	
STAMP	
Accepted (Signed) Raj Kiran 14, Bangalore	(Signed) Kunal Singh Lal Bagh, Bangalore

In the above-mentioned bill of exchange format, Kunal Singh is the drawer as well as the payee of the bill.

### Cheque

#### Meaning of a Cheque

Section 6 of the Negotiable Instruments Act defines what a 'cheque' means. According to this provision, a cheque is basically a bill of exchange drawn on a specific banker. Furthermore, it is not payable otherwise than on demand.

The Negotiable Instruments (Amendment) Act had amended this definition to make it broader in 2015. Accordingly, cheques now include the electronic image of a truncated cheque and also an electronic cheque. Despite this amendment, the basic definition still remains the same.

A truncated cheque is one which undergoes truncation during a clearing cycle. Truncation basically means the conversion of a physical cheque into digital format. Either a clearing-house or a bank may do this upon generating an electronic image of a cheque.

An electronic cheque is a cheque which exists in digital format. A computer resource generates such cheques using digital signatures (either with or without biometrics).

### Parties to a Cheque

Generally, there are two parties to a cheque. These include the drawer and the drawee. While the drawer is the person who draws the cheque, the drawee is the banker on whom it is drawn.

Apart from these, there can also be a payee who is liable to pay the amount on the cheque. Furthermore, there can also be a holder who is generally the original payee. When the holder endorses the cheque to somebody, he becomes the endorsee. On the contrary, an endorsee is a person to whom the cheque is endorsed.

### Essentials of a Cheque

The main elements of cheques are that they are drawn on a banker and are payable on demand. Furthermore, they never require any formal acceptance.

Cheques can be payable either to the drawer himself or to a bearer on demand. Hence, there might be two or more parties to a cheque depending on the situation.

Another feature of cheques is that they are usually valid only for six months. They do not require any stamping as other negotiable instruments do.

### Cheques v/s Bills of Exchange

Cheques and bills of exchange might appear to be similar but there are important differences between them. The following are some such points of distinction:

- A cheque is always drawn only on a banker, while a bill may be drawn on any person.
- Cheques are payable only on demand, while bills may be payable on demand or upon a specific date.
- It is important to cross a cheque but a bill needs no such crossing.
- Bills generally carry a grace period of three days for repayment of money. Cheques, however, do not provide for any grace period.
- Dishonour of a bill requires the production of a notice. No such notice is important for cheques.
- All cheques are bills of exchange but the vice versa is not true.

### Format of Cheque:

A cheque is usually a printed security from like

Printing of cheques is done by way of security printing. For security printing different types of security measures are adopted. Some banks follow one type of security measures

and some other banks follow different types of security measures. Some of such security measures are being explained below. But it is not necessary that all such measures be taken care by all the banks.

### Pay in slip

Deposits can be made in a particular bank account by using a pay in slip. The pay in slip is used for depositing cheques as well as cash into your bank account. The pay in slip contains the information of your bank account and is an instruction to the bank to deposit the money into your bank account.

The pay in slip normally contains the:

- Name of the account holder
- Bank account number
- Bank branch number
- Date of deposit
- Amount to be deposited in words and figures
- Signature of the depositor to deposit money
- Denominations of the currency
- Details of the cheque which are to be deposited

Size 9 x 4 (Customer Copy)

<b>ICICI Bank</b> Corporate Solutions		ICICI BANK BRANCH CODE Oxygen Services India Pvt Ltd.		Customer Copy	
Credit to Client Account No. 017705004663		Deposit Slip No.			
Vendor Code		Date of Cash Deposit		DD-MM-YYYY	
Depositor's Name & Signature		Time & Date			
Bank's Acknowledgement		CASH DEPOSIT			
For Branch Use:		DENO.		PIECES	
Tran Id:		1000 X		Rs.	
Additional Information:		500 X		Ps.	
JC/ SO:		100 X			
		50 X			
		20 X			
		10 X			
		TOTAL			
		If Cash > Rs. 50,000			
		PAN/GIR No.			

Size 9 x 4 (Bank Copy)


<b>ICICI Bank</b> Corporate Solutions		ICICI BANK BRANCH CODE Oxygen Services India Pvt Ltd.		Customer Copy	
Credit to Client Account No.		Deposit Slip No.			
Vendor Code		Date of Cash Deposit		DD-MM-YYYY	
Depositor's Name & Signature		Time & Date			
Bank's Acknowledgement		CASH DEPOSIT			
For Branch Use:		DENO.		PIECES	
Tran Id:		1000 X		Rs.	
Additional Information:		500 X		Ps.	
JC/ SO:		100 X			
		50 X			
		20 X			
		10 X			
		TOTAL			
		If Cash > Rs. 50,000			
		PAN/GIR No.			

## Withdrawal form

A withdrawal slip is a bank document on which a person writes the date, account number and amount of money to withdraw from a bank. It is called a withdrawal slip because it is used to make a withdrawal from a person's account. It includes important information that allows the bank to keep an accurate record of the withdrawal and provide the required amount.

It is crucial to write accurate and readable information on the slip to ensure proper withdrawal. An official bank withdrawal slip is obtained at the bank branch where the person deposited money, and it contains a clear print of the bank name. When filling out a withdrawal slip, a person writes his complete name including a middle initial. If the slip asks for an address, it is important to write a complete address including the ZIP code. The amount to withdraw is written in words below the name. Any change is written as a fraction. If coin change is not needed, a fraction with a zero is included. After filling out the bank slip, a person signs it in the presence of a bank teller. Forms of identification are often shown to the bank teller before receiving the money. The teller processes the withdrawal and provides the money along with a receipt. It is also possible to withdraw the money using an ATM.

खाताधारक का (खाताधारकों के) नाम/Name of the Account Holder (s) : .....

 <b>भारतीय स्टेट बैंक</b> <b>STATE BANK OF INDIA</b>		<b>बचत बैंक आहरण फॉर्म</b> <b>SAVINGS BANK WITHDRAWAL FORM</b>		दिनांक/Date.....	
शाखा/Branch.....		खाता संख्या/Account Number.....			
नोट : यह फार्म चेक नहीं है। इस फार्म के साथ पास बुक प्रस्तुत नहीं किये जाने पर भुगतान के लिये इनकार किया जायेगा। यह भुगतान केवल मूल (होम) शाखा में ही किया जायेगा। NOTE : This form is not a cheque. Payment will be refused if the pass book is not produced with this form. This payment will be made only at the Home Branch.					
कृपया मुझे/हमें रु..... (रुपये.....) का भुगतान करें और मेरे/हमारे उपर्युक्त बचत बैंक खाते को यह राशि नार्मे करें। Please pay self/ourselves Rs..... (Rupees.....) and debit the amount to my/our above savings bank account.					
फोन/मोबाइल नं. .... Phone/Mobile No. ....					
खाताधारक (कों) के हस्ताक्षर/Signature (s) of the Account Holder (s)					
कार्यालय उपयोग हेतु/ FOR OFFICE USE					
पासकर्ता/Passed by	हस्ताक्षर/Signature	पासकर्ता/Passed by	हस्ताक्षर/Signature		
एसबिब्यूओ/SWO		पासकर्ता अधिकारी/PASSING OFFICER			

Maxwell/10,000 Pads x 100 Lvs/Order No. 21 dt. 07/03/14 Item code : 1045815  
C.O.S. 161R

**1. Branch:** You have to write your SBI branch here. Suppose, if it is Kovilpatti, You have to write it in the appropriate place.

**2. Date:** You have to write the current date / date of withdrawal here. For example, 24 / 01 / 2018

**3. Account Number:** Write your full account number here. You have to carefully write your number in the box provided. One number should be written in one box. If you don't remember your account number, see your passbook to avoid

**4. Please pay self / ourselves Rs. .... (Rupees.....)**

Here you have to tick whether it is self or ourselves. Self is meant for Single Account holder and ourselves is meant for joint account holders. Write the amount in digit and in words also. If it is Rs.2000/- then write first 2000 and the write Two Thousand only

**5. Phone / Mobile Number:** You have to write here your mobile number. Better to write the registered mobile number and active mobile number.

**6. Signature (s) of the account holder (s) \_\_\_\_\_:** Here put your signature. If it is joint account holder, all members of joint account should sign here.

There will be a section for Office Use. You should NOT write anything here. This is for SBI bank officers only. They will fill-up and process your slip to withdraw the amount you mentioned. You have to fill the form as instructed and submit to the bank officer. You will be given a token as the application received. You will be given your cash when your turn comes.

### **Account opening and Nomination form**

In order to open an account in the bank, one needs to apply. The account opening form is in fact a request form addressed to the Manager of a bank branch for opening of a particular type of account.

The form in fact consists of full details about the applicant which includes his name, residential and office/business addresses. The contact details, his signatures on the form and some signatures on different cards as specimen of the applicant/s signatures.

As the bank account nature is financial so the necessary information is obtained from the customer precisely in an interview form which is technically termed as "know your customer (KYC)" process which is mandatory as per international norms.

A bank account opening form is the one where you have to mention all the details. These details are as follows:

1. Full name as per PAN card
2. Residence address
3. ID proof
4. Mobile Number
5. Type of Bank account
6. Signature
7. Mobile number
8. Email ID

If we study in details, then types of accounts can be discussed for more information.

**TYPES OF BANK ACCOUNTS:**

**Bank Accounts** are classified into four different types. They are,

- 1) Current Account**
- 2) Savings Account**
- 3) Recurring Deposit Account**
- 4) Fixed Deposit Account**

***What is Current Account?***

**Current account** is mainly for business persons, firms, companies, public enterprises etc and are never used for the purpose of investment or savings. These deposits are the most liquid deposits and there are no limits for number of transactions or the amount of transactions in a day. While, there is no interest paid on amount held in the account, banks charges certain service charges, on such accounts. The current accounts do not have any fixed maturity as these are on continuous basis accounts.

***What is Savings Account?***

**Savings Account** is meant for saving purposes. Any individual either single or jointly can open a savings account. Most of the salaried persons, pensioners and students use Savings Account. The advantage of having Savings Account is Banks pay interest for the savings. The saving account holder is allowed to withdraw money from the account as and when required.

The rate of interest ranges between 4% to 6% per annum in India. There is no restriction on the number and amount of deposits. But withdrawals are subjected to certain restrictions. Some banks recommend to maintain a minimum amount to keep it functioning.

***What is Recurring Deposit Account?***

**Recurring deposit account or RD account** is opened by those who want to save certain amount of money regularly for a certain period of time and earn a higher interest rate. In RD account a fixed amount is deposited every month for a specified period and the total amount is repaid with interest at the end of the particular fixed period.

The period of deposit is minimum six months and maximum ten years. The interest rates vary for different plans based on the amount one saves and the period of time and also on banks. No withdrawals are allowed from the RD account. However, the bank may allow to close the account before the maturity period.

These accounts can be opened in single or joint names. Banks are also providing the Nomination facility to the RD account holders.

***What is Fixed Deposit Account?***

In **Fixed Deposit Account** (also known as **FD Account**), a particular sum of money is deposited in a bank for specific period of time. It's one time deposit and one time take away (withdraw) account. The money deposited in this account can not be withdrawn before the expiry of period.

However, in case of need, the depositor can ask for closing the fixed deposit prematurely by paying a penalty. The penalty amount varies with banks.

A high interest rate is paid on fixed deposits. The rate of interest paid for fixed deposit vary according to amount, period and also from bank to bank.

### **Opening of an Account:**

Steps to open a bank account

#### **1. Decide what kind of account you need**

Choose a savings account if you're looking for a place to save money over a short period of time, but still keep it readily accessible. Choose a chequing account to keep money that you plan to use for day-to-day spending or to pay bills over the short term. You'll earn less interest than with a savings account.

#### **2. Look for an account with the services you'll use most**

In particular, think about how you're likely to put money in and take it out:

- branch – make deposits and withdrawals using a teller or ATM
- debit card – buy something or get cash at a store
- cheques – pay bills
- direct debit – pay bills automatically from your account each month
- direct deposit – have your pay put into your account
- Internet or telephone banking – for a range of transactions

#### **3. Shop around to compare rates and fees**

Understand the service fees you can be charged before you open an account. Look for accounts that charge the lowest fees for the services you need. And compare interest rates. They will vary across financial institutions.

#### **4. Choose a financial institution and location**

Choose one that has branches or bank machines located close to where you live or work.

#### **5. Open your account**

You'll have to give personal information such as your address, date of birth, social insurance number, job title and phone numbers when you complete the account application. You'll also need to show 2 pieces of acceptable identification. One of them must be from the government. Then make your first deposit.

### **Nomination Form:**

Nomination is the right conferred upon the holder of a bank account to appoint one or more persons who will be entitled to receive monies upon the death of the account holder. In the event of death of an account or locker holder, the bank can release the account proceeds or contents to the nominee without insisting upon a succession certificate, letter of administration or court order.

#### **Subsequent nomination:**

If the account holder has not made any nomination till date, or has cancelled an existing nomination, he can subsequently make a nomination by filling up Form DA 1. The form can be downloaded from the bank website. The account holder's details, deposit details and nominee information must be filled. The form must be signed by all account holders.

**Deletion of nominee:**

An existing nominee can be deleted from the records subsequently by filling up Form DA2. This form also requires details of the account and the account holders with name and address of the nominee who is to be deleted. The form must be signed by all account holders.

**Deposit form/slip and Deposit Receipts**

A cash deposit slip is a record of how much money will be/has been deposited into a bank account. In simple words, a cash deposit slip is a form that is used to itemize the cheques and cash being deposited into a bank account.

**Components and Format of Cash Deposit Slip**

The cash deposit form contains the following information:

- The name on the account
- The account number
- The amount or value of each cheque being deposited
- The amount or value of any bills and coins being deposited

The form is titled 'Format of Cash Deposit Slip'. It contains the following sections:

- Top Section:** Date/mnth, Branch/nbr, Account No./ntm n, Credit Card No./ntm n, PAN/nr, Name of the Account Holder /ntm ntr ntr ntr.
- Table 1 (Left):** Particulars/nbr, Rupees/ntr, Paise.
- Table 2 (Right):** Bank & Branch/ntr ntr ntr, Cheque / Draft No. /ntm ntr ntr, Issued by / Date gnt ntr ntr, Cash Details/ntr ntr, Rupees/ntr, Paise.
- Table 3 (Bottom Right):** Amount in Words /ntr ntr ntr, Rupees/ntr, Paise.
- Table 4 (Bottom Right):** TOTAL/gnt.
- Signature Section:** Name & Signature of Depositor /ntm ntr ntr ntr.
- For Bank Use Only:** Transaction Sequence No., Branch, Service Executive /ntm ntr ntr.

Format of Cash Deposit Slip

**How to use Cash Deposit Slip?**

One can deposit money into the bank either by cash or cheque. Below is a step-by-step process to use the cash deposit slip.

Step 1	Ask for a deposit slip and fill up all the details, like date, account, type, account number, account holder name, amount and finally sign on the deposit slip.
Step 2	Remember to fill all the details in the receipt attached to the deposit slip.
Step 3	If the deposit is by cash then enter the denominations in the denomination column.
Step 4	If the deposit is by cheque, then enter the bank details like the name of the bank, cheque number, date etc.,
Step 5	Turn over the deposit slip and the cash or the cheque to the concerned person in the bank.
Step 6	Remember to collect the receipt (also called as counterfoil ).

**Cash Deposit Slip Process**

The completed cash deposit slip is bundled with the checks, bills and coins itemized on the form and presented to the cashier at the bank. The cashier or the concerned bank person processes the deposit and matches the total processed to the total stated on the deposit slip to ensure that they match; thus, the cash deposit slip is a cash processing control for the bank.

Once the cashier processes the deposit, he gives the customer a receipt, which states the total amount of the deposit, along with the date and time. The receipt given by cashier to the depositor also called a counterfoil act as proof that the deposit was made.

**Cash Deposit in Excess of Rs 50,000/**

While depositing cash in excess of Rs. 50,000/-, remember to carry a PAN (Permanent Account Number) card. It's Mandatory to mention the PAN for deposits over Rs. 50,000/-

**Benefits of Cash Deposit Slips**

Cash deposit slips offer protection to both the bank and the customer. Banks use them to maintain a written ledger of funds deposited throughout the day and to ensure that no deposits are unaccounted at the end of the business day.

For the person depositing cash, a cash deposit slip serves as a de facto receipt that the bank properly accounted for the funds and deposited the correct amount and into the correct account. If the depositor later checks the account balance and discovers the deposit was not counted correctly, the deposit slip serves as proof that the bank acknowledged receiving the funds from the customer.

**Deposits Receipt:**

A deposit receipt is a receipt issued by a bank to a depositor for cash and checks deposited with the bank. The information recorded on the receipt includes the date and time, the amount deposited, and the account into which the funds were deposited.

A deposit receipt is useful as part of the system of internal controls related to the processing of cash. When a deposit receipt is returned from the bank, it should be compared to the total amount of cash recorded in the cash receipts journal for that day. If the total in the cash receipts journal is higher than the amount of the deposit receipt, it implies that the person who transported the funds to the bank may have stolen a portion of the funds while in transit. It is also possible that the bank teller made a clerical error when counting the received cash and checks.

This control only works if the person transporting the cash and checks to the bank is not allowed to record cash transactions in the accounting system. Otherwise, he could alter the amounts recorded in the accounting system to hide any subsequent theft.

A deposit receipt is not used when a bank receives checks through a lockbox. Instead, the cashier can access the bank's website to download information about the nature of the checks received by the bank.

**Loan application form**

A loan application procedure is complete only when the document verification is successful. Be it any type of loan, an applicant has to provide all the necessary documents as per the requirement. The importance of documents is different depending on the type of loan. In the case of unsecured loans such as personal loans, income proof, and salary slip are given the highest priority. On the other hand, for secured loans such as home loans and loan against property, property papers are of utmost importance which many people forget to maintain.

**Documents Required for Loan against Property**

For Salaried Individuals

- Proof of Residence - Any one of Ration Card / Telephone Bill / Electricity Bill / Voters Card.
- Proof of Identity - Any one of Voters Card / Aadhaar Card/ Drivers License / Employers Card.
- Latest Bank Statement / Passbook (where salary / income is credited for past 6 months).
- Latest 6 Months Salary Slip with all deductions and last 2 years Form 16.
- Copies of all Property Documents.
- Certified Financial Statement for the last two years.
- Proof of Residence - Any one of Ration Card / Telephone Bill / Electricity Bill / Voters Card.
- Proof of Identity - Any one of Voters Card / Aadhaar Card/ Drivers License / Employers Card.
- Latest Bank Statement / Passbook (where salary / income is credited for past 6 months).
- Copies of all Property Documents.
- 

**Documents Required for a Personal Loan**

The following documents are required along with your Personal Loan application:

- Identity proof (copy of passport/voter ID card/driving license/Aadhaar)
- Address proof (copy of passport/voter ID card/driving license/Aadhaar)
- Bank statement of previous 3 months (Passbook of previous 6 months)
- Latest salary slip/current dated salary certificate with the latest Form 16

**Documents Required for a Business Loan**

The following documents are required along with your Business Loan application:

- PAN Card - For Company/Firm/Individual
- A copy of any of the following documents as identity proof:
  1. Aadhaar Card
  2. Passport

3. Voter's ID Card
4. PAN Card
5. Driving License

A copy of any of the following documents as address proof:

1. Aadhaar Card
  1. Passport
  2. Voter's ID Card
  3. Driving License
  - Bank statement of the previous 6 months
  - Latest ITR along with computation of income, Balance Sheet and Profit & Loss account for the previous 2 years, after being CA Certified/Audited
  - Proof of continuation (ITR/Trade license/Establishment/Sales Tax Certificate)
- Other Mandatory Documents [Sole Prop. Declaration Or Certified Copy of Partnership Deed, Certified true copy of Memorandum & Articles of Association (certified by Director) & Board resolution (Original)]

### **Documents Required for Commercial Vehicle Loan**

If you are running a small business, chances are you may need a loan to buy a vehicle to carry out your work. The documents required to apply for a commercial vehicle loan are as follows:

- Age proof
- ID proof
- Application form
- Photograph
- Residence proof
- Income proof
- Current repayment track
- Work in hand/Contract copies
- Signature verification proof
- Existing vehicle ownership proof
- Pro forma invoice

### **Post-sanction/Pre-disbursement documentation:**

Loan Agreement duly signed along with RTO set

Post Dated Cheques (PDCs)/ECS Form/Standing Instruction (SI) request

Margin money receipt

Insurance cover note

The documents mentioned above are a general set of documents asked by the lenders. The list of documents might be slightly different from one lender to another. As you may notice, the list varies depending on the profession. It is also important to note that a loan is approved only when document verification is successful.

**Insurance Proposal form and Insurance Policy****Definition of 'Proposal Form'**

Proposal form is the most important and basic document required for life insurance contract between the insured and insurance company. It includes the insured's fundamental information like address, age, name, education, occupation etc. It also includes the person's medical history.

**Description:** A life insurance company offers a policy on the basis of a proposal form. The form is the most basic requirement for the functioning of the life insurance contract between you and the life insurance company. It needs to be completed by the proposer who may seek the assistance of a life insurance advisor to fill it up.

A proposal form seeks basic information of the proposer and the life assured. This includes the name, age, address, education and employment details of the proposer. The proposal form also gathers information on the medical history of the life to be assured. There are questions pertaining to the health status of family members of the life to be assured. The proposer and the life to be assured have to mention their incomes in the proposal form to satisfy the insurer about their ability to pay for the insurance and the need for insurance, respectively.

Proposal form helps the insurance company to calculate all the potential risks in relation to the insurance policy and hence deciding the premium amount.

**1. Name:**

Name of proposer is very important for identification. It should be correctly and accurately written so that the policy can incorporate the correct name and identity.

**2. Address**

Address should be accurately given because of several reasons, such as, identity and communication, and sometimes this is important for rating purpose, e, g., motor, burglary etc.

**3. Occupation**

Information as to occupation is particularly important in case of life insurance, personal accident insurance and liability insurance as this will influence the rate or decision of an underwriter.

**4. Subject-matter**

This is the subject-matter of insurance and, therefore, should be properly described so that correct insertion can be made on the policy.

**5. Sum-insured**

The amount for which insurance cover is required should be adequately mentioned.

This is the limit of the insurer's liability. It must represent the actual value of the property or the subject-matter of insurance.

**6. Claims History**

This has an influence on underwriter's decision and must, therefore, be truthfully answered. Details of all previous related losses, whether insured or not, must be correctly given.

**7. Other Insurances**

Information as to other past or present related insurances is required to be given. This is important for applying contribution amongst various policies wherever applicable.

This is also important for **assessing the moral hazard** of the proposer since it might indicate the reason for effecting numbers of policies. Information as to other insurances also enables the insurer to make necessary queries with other insurers about the proposer.

**8. Declinature**

The insurer would like to know whether any insurance of this proposer was previously declined by any other insurers. This information would enable the insurer to find out from other insurers the cause of declinature.

**9. Declaration**

Every proposal form contains a declaration to the effect that;

1. The answers given in the proposal form are true and nothing has been concealed or misrepresented.
2. The proposer agrees to pay the premium and accept a policy that is usually issued by the insurer for that class of business.
3. The proposal form and the declaration shall form the basis of the contract.

**10. Signature**

The proposal is required to be signed by the proposer or by the authorized person when the proposer is not an individual.

**11. Date**

The signature is to be dated.

By comparing various specimen proposal forms the students would realize that apart from the above common type questions, there are numbers of other types of questions peculiar to various branches and different policies.

**INSURANCE POLICY:**

In insurance, the **insurance policy** is a contract (generally a standard form contract) between the insurer and the insured, known as the policyholder, which determines the claims which the insurer is legally required to pay. In exchange for an initial payment, known as the premium, the insurer promises to pay for loss caused by perils covered under the policy language.

Insurance contracts are designed to meet specific needs and thus have many features not found in many other types of contracts. Since insurance policies are standard forms, they feature boilerplate language which is similar across a wide variety of different types of insurance policies.

The insurance policy is generally an integrated contract, meaning that it includes all forms associated with the agreement between the insured and insurer. In some cases,

however, supplementary writings such as letters sent after the final agreement can make the insurance policy a non-integrated contract. One insurance textbook states that generally "courts consider all prior negotiations or agreements ... every contractual term in the policy at the time of delivery, as well as those written afterward as policy riders and endorsements ... with both parties' consent, are part of the written policy". The textbook also states that the policy must refer to all papers which are part of the policy. Oral agreements are subject to the parol evidence rule, and may not be considered part of the policy if the contract appears to be whole. Advertising materials and circulars are typically not part of a policy. Oral contracts pending the issuance of a written policy can occur.

### **Certificate of Insurance**

When you have supplied the insurer with all of the required information, received the Product Disclosure Statement (PDS) and paid your premium, you will be issued with a document that confirms you are the holder of a particular insurance policy.

The **Certificate of Insurance** is a formal document that specifically lists information about you, what you have insured, the sum you have insured it for, how much the premium is and when it is due, and any other options you have agreed to when signing up for the policy.

The Certificate of Insurance must also list any other fees or expenses charged, such as taxes or commissions. Additional options might include an agreement to pay an **excess**, which means insurance cover is only provided once the policyholder has paid the first portion of the total sum of the loss or damage. The policy certificate will also list the expiry date of your insurance policy.

When you receive your Certificate of Insurance you should read it carefully to make sure it matches what you purchased.

You need to tell your insurer immediately if any details on your Certificate of Insurance are no longer accurate.

If you don't fully understand the PDS you should phone your insurance company and ask for more information. You must be satisfied the policy is what you need before you purchase it.

### **ATM Card Application form**

An **ATM card** is a payment card or dedicated payment card issued by a financial institution which enables a customer to access automated teller machines (ATMs). ATM cards are payment card size and style plastic cards with a magnetic stripe or a plastic smart card with a chip that contains a unique card number and some security information such as an expiration date or CVVC (CVV). ATM cards are known by a variety of names such as **bank card**, **MAC** (money access card), **client card**, **key card** or **cash card**, among others. Most payment cards, such as debit and credit cards can also function as ATM cards, although ATM-only cards are also available. Charge and proprietary cards cannot be used as ATM cards. The use of a credit card to withdraw cash at an ATM is treated differently to a POS transaction, usually attracting interest charges from the date of the cash withdrawal. Interbank networks allow the use of ATM cards at ATMs of private operators and financial institutions other than those of the institution that issued the cards.

ATM cards can also be used on improvised ATMs such as "mini ATMs", merchants' card terminals that deliver ATM features without any cash drawer. These terminals can also be used as cashless scrip ATMs by cashing the receipts they issue at the merchant's point of sale.

The first ATM cards were issued in 1967 by Barclays in London.

**APPLICATION FORM FOR ATM CARDS**

Thank you for applying for the SBI ATM Card. To help us process your request quickly, please fill this form as per the instructions below. If you have any questions, please check with your Branch Manager. We are committed to making your life simpler with the SBI ATM Card.

**IMPORTANT INSTRUCTIONS**

- Please fill the entire form in CAPITAL LETTERS only. Leave one bar space between each word.
- Complete all sections. Sign the declaration.
- Do not write outside the provided boxes. Joint Account holder to fill separate application form.
- Joint a/c. to be either or submit / anyone or partner.

**Branch Manager's Stamp & Signature**

**SBI Cash**

BRANCH \_\_\_\_\_

ADD \_\_\_\_\_

PHONE \_\_\_\_\_ FAX \_\_\_\_\_

E-MAIL \_\_\_\_\_

Your Name \_\_\_\_\_

Name as you would like it on the card (max. 25 letters) with title, if required - including Spaces.

For Example: SAHIL KUMAR

Address in Computers \_\_\_\_\_

Pin P Q \_\_\_\_\_

State \_\_\_\_\_ To State \_\_\_\_\_

Mobile No. \_\_\_\_\_ Res. \_\_\_\_\_ Trade Number \_\_\_\_\_

My designated accounts on which I require ATM services:

Primary Account Savings ☐ or Current ☐ Branch \_\_\_\_\_

Saving A/c No. \_\_\_\_\_ Credit A/c No. \_\_\_\_\_

Declaration: • I am aware of the Terms and Conditions (provided) governing the use of the ATM Card and agree to abide by them.  
• The bank may call me at my residence / office in connection with my ATM transactions.

Date \_\_\_\_\_

**FOR OFFICE USE ONLY**

MODE OF OPERATION ☐ SINGLE ☐ E OR S ☐ F OR S ☐ ANYONE OR S

☐ STANDALONE ATM OR ☐ NETWORKED ATM

Application No. \_\_\_\_\_

Old ATM Card No. \_\_\_\_\_

New ATM Card No. \_\_\_\_\_

ATM Branch Code	
Link Branch Code	
Daily Limit	CRD / 5000 / 2000
Issue Card	YES/NO

(St. Manager's Sigs. & Stamp)

## **CREDIT APPRAISAL REPORT**

Credit appraisal basically refers to assessing a particular loan application or proposal in a thorough manner in order to gauge the repayment ability of the loan applicant. A lender conducts a credit appraisal chiefly to make certain that the bank gets back the money that it lends to its customers.

Whether one applies individually or as a corporate entity, a lender always conducts a detailed and systematic credit appraisal process. The credit appraisal process before giving a loan to entities is comprehensive in nature as it appraises or evaluates management, market, technical, and financial elements.

No lender approves and sanctions anybody's personal loan application instantly without an evaluation. It is absolutely important for a lender to carry out a credit appraisal process in order to ensure that the borrower has the capacity to repay the entire loan amount on time without missing any payment deadlines. This is very crucial for a bank as this determines the interest income and the capital of the bank. The repayment behaviour of a borrower directly affects the performance of the bank.

Both banks and non-banking financial corporations (NBFCs) utilise credit appraisal procedures before approving a personal loan application or any other loan application. Each lender will have its own techniques for performing credit appraisal processes. A lender will have certain norms, rules, and standards to assess the creditworthiness of a particular loan applicant. If a borrower has a high creditworthiness, there is high probability that his or her loan application will be accepted by the bank. A credit appraisal is done to avoid the risk of default on loans.

### **How Does a Lender Assess the Creditworthiness of an Individual Borrower?**

In the context of loans and credit, creditworthiness broadly refers to the financial character of a particular individual. When a person applies for a loan, the lender will check this financial character to get an idea of how the applicant treats his or her debts.

The lender will check the borrower's credit history. This will comprise checking his or her repayment behaviour, time taken to pay different equated monthly installments (EMIs), how a borrower has treated his or her different debt obligations, etc.

### **What is Credit Score?**

In order to compute the creditworthiness of a borrower, a credit analysis needs to be performed. Apart from checking the credit history of a borrower, a lender will also evaluate his or her credit score. A credit score refers to a particular score that is given to a borrower depending on his or her credit history. This score is provided by credit bureaus who will evaluate one's full repayment behaviour and give them a score. It will be based on credit reports created by credit bureaus. Hence, if one is interested in applying for a personal loan, a car loan or any other loan, he or she should make sure that their credit score is good. In India, the credit score of any loan applicant should ideally be 750 and above.

In India, CIBIL is the leading credit bureau that takes care of observing your credit behaviour and preparing a credit report with details of your credit score. You can check your CIBIL report to get an idea of your credit history.

In case your credit score is high, you can be positive that your loan application will be approved, provided you meet other eligibility criteria set by your lender. If your credit score is low, you can take specific measures in order to increase it. When you incorporate good measures to enhance your credit score, you widen your scope to get your loan approved by the bank. You will have to be extremely financially disciplined to increase your credit score.

### **Factors Evaluated During a Credit Appraisal Process**

A lender's credit appraisal process will typically check and evaluate the following important factors:

- Income
- Age
- Repayment ability
- Work experience
- Present and former loans
- Nature of employment
- Other monthly expenses
- Future liabilities
- Previous loan records
- Tax history
- Financing pattern
- Assets owned

### **How Does a Lender Evaluate the Eligibility of a Borrower Through Credit Appraisal?**

A lender typically compares your loan amount, income, EMIs, repayment capacity, and your overall expenses in order to determine if you are eligible or not to get a personal loan or any other loan. Generally, banks and NBFCs take a look at certain ratios in order to check your loan eligibility. These are some of the ratios that are useful in the credit appraisal process:

- **Fixed obligation to income ratio (FOIR):** This ratio refers to how one deals with his or her debts and how often they repay their debts. It refers to the ratio of the loan obligations and other expenses to the income that they earn on a monthly basis. The bank will assess if a certain portion of your income is sufficient to manage your EMIs for the loan that you have applied for and for your other liabilities. If the ratio is higher than the benchmark fixed by the lender, then the lender may not accept the application.
- **Installment to income ratio (IIR):** This ratio considers the equated monthly installments (EMIs) of your loan to the income that you earn. It will indicate the amount you will be required to take from your income to pay your personal loan EMI.
- **Loan to cost ratio:** This ratio indicates the maximum amount that a particular borrower is eligible to take. This will depend on the cost of the car if you are taking a car loan and on the cost of the house if you are taking a home loan. For a personal

loan, it will depend on your personal requirement. Usually, the ratio will range from 70 to 90% of the cost of the car or house.

Finding out the loan eligibility of a loan applicant will assist a lender in fixing the loan amount that needs to be offered to the applicant.

### **Submission of Documents for Proving Your Bankability**

Bankability is a very important aspect that is a part of credit appraisal. Bankability refers to what will be accepted by a particular bank. A lender will assess if a loan given to a particular person will result in future cash flow and profitability.

When you apply for a personal loan or any other loan from a bank or an NBFC, you will be required to mandatorily furnish certain government-approved documents, reports, and other documents in order to prove your income, age, and other aspects. These norms will vary from lender to lender. While applying for your loan, your lender will specify the norms and you will be required to follow them so that they can decide if the loan can be approved or not. Let us take a look at some of the common norms that are set by lenders for the credit appraisal process:

#### **Proof of income**

In order to prove your monthly income, you will be required to submit certain documents and they include:

- Most recent bank statements for 3 to 6 months
- Most recent salary slips
- Most recent Income Tax Return (for self-employed individuals)
- Audited financials for the previous 2 years

#### **Proof of address**

To prove your residential address, you will have to furnish any one of the following documents:

- Leave and license agreement
- Latest electricity bills or utility bills
- Aadhaar card
- Driving license
- Passport

#### **Proof of identity**

To prove your identity and date of birth, you will be required to submit any one of the following documents:

- Aadhaar
- PAN card
- Voter ID
- Driving license
- Passport-size photographs

**Proof of employment**

To prove your employment information, you will be required to give certain documents regarding your employer or your own company (if you are self-employed):

- Letter from your employer
- Offer letter or appointment letter provided by your employer
- Office address proof
- Employment certificate from your present employer
- Certificate of experience or relieving letter from your previous employer(s) to show your overall work experience

**Proof of creditworthiness**

To prove your creditworthiness, you can show your credit score to your new lender. This can be done by submitting your CIBIL report. When you are furnishing your CIBIL report, you should be sure about the details of your credit score. You should also ensure that your credit score is 750 and above.

With the help of your CIBIL report, your lender will check if you have been prompt while making your repayments and while clearing your credit card bills. Your lender will also be able to see if you have defaulted any loan during your entire credit history and if you have made many enquiries. Hence, you need to be very particular about how your credit report looks.

**Proof of investment**

If you have made any investment, you will be required to provide proofs. This can be done by giving documents of your investments such as fixed deposits, shares, mutual funds, fixed assets, gold, etc.

When the lender takes a look at your income proof, age proof, and employment proof, the lender gets an idea about your overall profile and the bank can determine if you will be able to repay your loan promptly without any financial struggles.

**Credit Appraisal for Project Financing for Organisations**

If a lender is approached by a company for project financing or a loan, then the lender will need to consider financial, technical, commercial, market, and managerial aspects of the organisation.

- Under credit appraisal, to evaluate financial aspects, the bank will have to check the organisation's costs, expenses, and estimated revenues in order to understand if the company will be able to repay the loan without any trouble.
- To assess technical aspects of a company, the bank will have to evaluate the nature of the business and the industry or sector of the borrower. The lender will have to observe the company's raw materials, capital, labour, transportation, selling plans, etc.
- To evaluate the market of the borrower, the bank will have to evaluate its demand and supply. If the demand-supply gap is high, then it is great news for the lender. This

is because it indicates that the company will enjoy good sales and hence, can repay the loan efficiently.

- The bank also needs to assess the managerial aspects of an organisation before giving a loan to them. The bank should understand the goals, plans, and commitment of the company to the particular project. The organisation's management style and ways of handling subordinates should be observed by the lender.

Banks will assess both financial and non-financial aspects in order to determine the borrower's creditworthiness while conducting the credit appraisal process.

The intensity of the credit appraisal will depend on the loan quantum and the purpose of the loan. According to these aspects, the appraisal process can be simple or complex for both individuals and entities.

### **INSURANCE AGENCY APPLICATION PROCEDURE**

**Follow any of the following ways if you want to become an agent:**

1. Walk into the nearest Insurance office of your chosen company and talk to the Agency Development Manager to understand the minute details about the process, earning potential and other related things
2. Visit the chosen insurance company's website and apply online. You should get a call back from the insurance company
3. Mail your details to the agent recruitment department of your chosen insurance company (email ID should be available on the company website) and their recruitment team will connect you shortly. You can also call their help desk number to get more information

Nowadays, all reputed insurance companies have robust recruitment programs. It involves a step-by-step process starting from screening, followed by extensive in-house training and the IRDAI exam. Once you clear the exam, you become an official insurance agent advisor.

## INSURANCE BROKERS ASSOCIATION OF INDIA

Registered office; Unit No.165, A to Z Industrial Premises Co – Operative Soc. Ltd., G.K. Marg,  
Lower Parel (W) Mumbai – 400 013, Tel.No.022 -24955156, E-mail : ibai@ibai.org

I/WE WISH TO BECOME MEMBER OF THE ASSOCIATION AND AGREE TO ABIDE BY ITS RULES AND REGULATIONS IN FORCE NOW OR WHICH MAY BECOME APPLICABLE IN FUTURE.

1.	NAME OF THE APPLICANT (Broking Firm)		
	REGISTERED OFFICE ADDRESS		
	TELEPHONE		
	FAX		
	E MAIL		
	DATE OF INCORPORATION		
	IRDA LICENSE CODE NO & VALIDITY PERIOD OF LICENSE: ( ENCLOSE COPY)		
	HAVE YOU PAID ANNUAL LICENSE FEE OF IRDA UP TO DATE.		
2.	WHETHER INDIVIDUAL, PARTNERSHIP/PVT/PUBLIC LTD COMPANY		
3.	NAME OF THE PARTNER/PROMOTES/DIRECTORS WITH QUALIFICATIONS		
4.	HAVE YOU BEEN WORKING AS AN AGENT OR EMPLOYEE OF LIC OR ANY OF THE GENERAL INSURANCE COMPANIES, IS SO HOW LONG.		
5.	IS YOUR OFFICE ACCOMMODATION OWNED/LEASED.		
6.	DO YOU EMPLOY STAFF, PLEASE GIVE NAMES OF KEY EMPLOYEES AND THEIR QUALIFICATIONS		
7.	NAMES OF YOUR BANKERS		
8.	IS YOUR COMPANY INVOLVED IN REINSURANCE BROKING.		
9.	DO YOU REPRESENT ANY OVERSEAS BROKERS.		
10.	ANY OTHER RELEVANT INFORMATION		

I/WE DECLARE THAT THE UNDERSIGNED AND/OR PARTNERS AND/OR DIRECTORS OF THE ABOVE APPLICANT HAVE NOT BEEN CONVICTED OF ANY OFFENCE.

NAME OF THE PRINCIPAL OFFICER\_\_\_\_\_.

SIGNATURE OF PRINCIPAL OFFICER\_\_\_\_\_ (PUT CO. RUBBER STAMP)

PLACE:

Date:

MEMBERSHIP FEES:\*\* Direct Broker ... Rs. 15,000/- per annum.

Reinsurance Broker ..Rs. 35,000/- per annum. - Composite Broker ... Rs. 50,000/- per annum.

RENEWABLE ANNUALLY.

**Kindly attach copy of your IRDA license as well as your DD/ Cheque for Annual Membership fees in favour of**

**"Insurance Brokers Association of India".**

**\*\*Membership Fees are to be paid proportionately from the month of joining till the close of financial year in next March. For example, if membership is taken in August 2017, membership fee is to be paid proportionately for 8 months from August 2017 to March 2018, which will work out to Rs.10,000/- for a Direct Broker, Rs.23,333/- for Re-insurance Broker and Rs.33,333/- for Composite Broker. Plus applicable GST rates, which is 18%**

**ESI / PF membership form**

ESI stands for Employee State Insurance managed by the Employee State Insurance Corporation which is an autonomous body created by the law under the Ministry of Labour and Employment, Government of India.

This scheme is started for Indian workers. The workers are provided with a huge variety of medical, monetary and other benefits from the employer. Any Company having more than 10 employees (in some states it is 20 employees) who have a maximum salary of Rs. 15000/- has to mandatorily register itself with the ESIC.

Under this scheme, the employer needs to contribute an amount of 4.00% of the total monthly salary payable to the employee whereas the employer needs to contribute only 1.00% of his monthly salary every month of the year. The only exemption to the employee in paying his contribution is whose salary is less than Rs. 100/- per day.

**What are the benefits of ESIC registration?**

The benefits of registering under this scheme are varied. Some of them are:

- a. Sickness benefits at the rate of 70% (in the form of salary), in case of any certified illness certified and which lasts for a maximum of 91 days in any year
- b. Medical Benefits to an employee and his family members
- c. Maternity Benefit to the women who are pregnant (paid leaves)
- d. If the death of the employee happens while on work – 90% of the salary is given to his dependents every month after the death of the employee
- e. Same as above in case of disability of the employee
- f. Funeral expenses
- g. Old age care medical expenses

**Entities covered under ESIC**

As per the government notification dated Sec 1(5) of the ESI Act the following entities are covered:

- a. Shops
- b. Restaurants or Hotels only engaged in sales.
- c. Cinemas
- d. Road Motor Transport Establishments;
- e. Newspaper establishments (which is not covered under the factory act)
- f. Private Educational Institutions

**What are the documents required for ESIC Registration**

The documents required for the registration are –

1. A registration certificate obtained either under the:
  - a. Factories Act
  - b. Shops and Establishment Act
2. Certificate of Registration in case of Company, and Partnership deed in case of a Partnership
3. Memorandum of Association and Articles of Association of the Company

4. A list of all the employees working in the Establishment
5. PAN Card of the Business Entity as well as all the Employees working under the entity
6. The compensation details of all the employees
7. A cancelled cheque of the Bank Account of the Company
8. List of Directors of the Company
9. List of the Shareholders of the Company
10. Register containing the attendance of the employees

After collecting all the above-mentioned documents the following procedure is to be followed for the registration of the ESI:

- a. Form No – 1 (Employers Registration Form) is to be downloaded and filled.
- b. After downloading the PDF version of the form and filling it, it has to be submitted on the website itself along with the above-mentioned documents.

**What is the process after the form verification?**

Step 1: After verification of the form, the government will issue a 17 digit unique number

Step 2: The employee who is registered under this scheme will provide the employer with the filled form and photographs of his own family members as a part of the process of registration and will get an ESI card after registration

Step 3: Any change in the Company or its employees will be intimated to the ESIC

**How many returns are filed every year after the registration is finalised?**

After the registration ESI Returns have to be filed twice a year. The following documents are required for the filing of the returns:

1. Register of Attendance of the Employees
2. Form 6 – Register
3. Register of wages
4. Register of any accidents which have happened on the premises of the business
5. Monthly returns and challans

**DECLARATION FORM (Regulation – 11& 12)**

A) Insured Persons Particulars		B) EMPLOYER'S PARTICULARS			
1. Insurance No.		9. Employer's Code No:			
2. Name		10. Date of Appointment	Day	Month	Year
3. Father/Husband's Name					
4. Date of Birth		11. Name & Address of the employer:			
5 Sex : Male/Female :					
6 Marital Status : M/U :					
7. Present Address		12. In case of any previous employment please fill the det. As under			
_____					
_____					
Pin - _____		a. Previous Ins. No.:			
8. Permanent Address		b. Empr's Code No:			
_____		<b><u>c. Name &amp; Address of the Previous Employer</u></b>			
_____					
Branch Office: _____					
Dispensary _____					

Name	Relationship	Address

X  
Signature of the T.I. /I.P

Sl.No.	Name	Date of Birth/Age	Relationship	Whether residing		If
	No, State		With the employee	Yes	No	Place of Residing
1						
2						
3						
4						
5						
6						

[illegible]

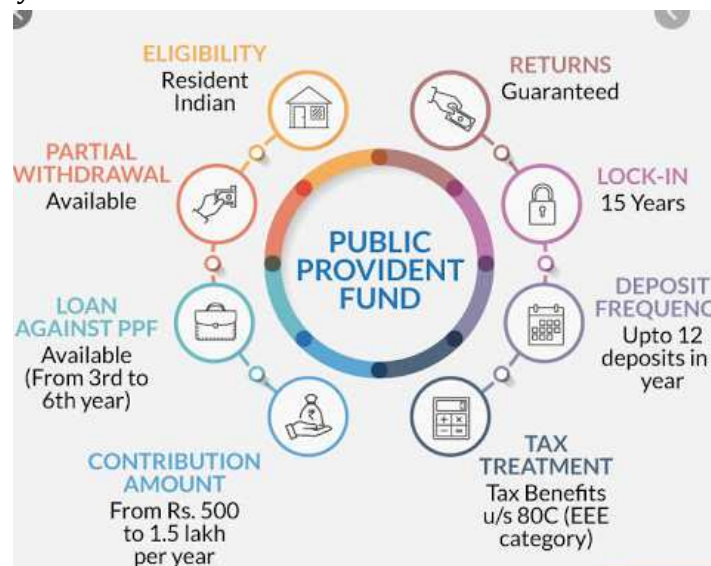
### What is Provident Fund (PF)?

As compulsory, government-managed retirement savings scheme, Provident Fund enables employees to contribute a part of their savings each month towards their pension fund. Over time, this amount gets accrued and can be accessed as a lump sum amount, at the end of their employment or at retirement. The Provident Fund money is a huge amount that helps you grow your retirement corpus.

There are mainly three different types of PFs, which include the following:

1. The General Provident Fund is a type of PF which is maintained by governmental bodies, including local authorities, the Railways and other such bodies. Thus, these types of PFs are mainly defined by the government bodies.
2. The Recognized Provident Fund is the one which applies to all privately-owned organizations that contain more than 20 employees. Moreover, holding a rightful claim to the PF associated with your organization, you will be given a UAN or Universal Account Number. This enables you to transfer your PF funds from one employer to another whenever you move from one occupation to another.
3. The Public Provident Fund is defined by the voluntary nature of investment on the part of the employee. The PPF is also associated with a minimum deposit of INR 50 and a maximum amount of Rs. 1.5 lakhs. This PF also comes with a pre-determined maturity period of 15 years, only after which any form of withdrawal can be done from the account.

While Provident Funds are low-risk investment avenues that can help you grow your money easily, it is important to invest the PF funds in smarter investment avenues that enable you to grow your funds furthermore



www.epfindia.gov.in



## Employees' Provident Fund Scheme, 1952

### Form – 19 (UAN)

(Applicable in cases where employee's complete details in Form 11(New), Aadhaar Number and Bank Accounts details are available on UAN Portal and UAN has been activated)

Mobile Number

1.	Universal Account Number (UAN)	<input type="text"/>
2.	Name (In capital letters)	<input type="text"/>
3.	Date of Leaving	<input type="text"/>
4.	Reason of Leaving Service (Tick the appropriate for TDS purposes)	(a) Superannuation (b) Cessation (c) Resignation (d) Disablement (e) Termination a. ill health b. Contraction / Discontinuation of employer's business c. Causes beyond the control of employee d. Personal reasons (f) Marriage (g) Permanent settlement abroad
5.	*Permanent Account Number (PAN)  Whether submitting Form 15G/15H, if applicable (YES/NO)  Please enclose two copies of Form No.15G/15H, if applicable  *Only in case of service less than 5 years	
6.	Full postal address	Pincode: <input type="text"/>

\* I certify that I have gone through the data seeded in UAN Portal and found all data including Form No.11(New), bank account details and Aadhar number.

\* Please make payment in the bank account mentioned in the UAN portal. A cancelled cheque (containing member's name, bank account number and IFS Code) is attached herewith.

Signature of the Member

**UNIT-III: BUSINESS LEGAL DOCUMENTS**

**Memorandum of Association - Articles of Association - Certificate of Incorporation - Prospectus - Certificate of Commencement of Business - Annual Report - Chairman's Speech - Model bye-laws of some society - Society/ Trust registration form - Complaint in a Consumer forum - Complaint under Right to Information Act.**

**Business:**

**Business** is related to the production, buying, and selling of goods or services. **Business** is 'the organized effort of individuals to produce and sell, for a profit, the goods and services that satisfy society's needs. ... **Businesses** can be privately owned, not-for-profit or state-owned.

**Memorandum of Association**

A Memorandum of Association (MoA) represents the charter of the company. It is a legal document prepared during the formation and registration process of a company to define its relationship with shareholders and it specifies the objectives for which the company has been formed. The company can undertake only those activities that are mentioned in the Memorandum of Association. As such, the MoA lays down the boundary beyond which the actions of the company cannot go.

Memorandum of Association helps the shareholders, creditors and any other person dealing with the company to know the basic rights and powers of the company. Also, the contents of the MoA help the prospective shareholders in taking the right decision while thinking of investing in the company.

MoA must be signed by at least 2 subscribers in case of a private limited company, and 7 members in case of a public limited company.

**Contents of Memorandum of Association**

Memorandum of Association (MoA) consists of the following clauses :

1. **Name Clause:** This clause specifies the name of the company. The name of the company should not be identical to any existing company. Also, if it is a private company, then it should have the word 'Private Limited' at the end. And in case of public company public company, then it should add the word "Limited" at the end of its name.  
For example, ABC Private Limited in case of the private, and ABC Ltd for a public company.
2. **Registered Office Clause:** This clause specifies the name of the State in which the registered office of the company is situated. This helps to determine the jurisdiction of the Registrar of Companies. The company is required to inform the location of the registered office to the Registrar of Companies within 30 days from the date of incorporation or commencement of the company.
3. **Object Clause:** This clause states the objective with which the company is formed. The objectives can be further divided into the following 3 subcategories:
  - i. **Main Objective:** It states the main business of the company

**ii. Incidental Objective:** These are the objects ancillary to the attainment of main objects of the company

**iii. Other objectives:** Any other objects which the company may pursue and are not covered in above (a) and (b)

4. **Liability Clause:** It states the liability of the members of the company. In case of an unlimited company, the liability of the members is unlimited whereas in case of a company limited by shares, the liability of the members is restricted by the amount unpaid on their share. For a company limited by guarantee, the liability of the members is restricted by the amount each member has agreed to contribute.
5. **Capital Clause:** This clause details the maximum capital that a company can raise which is also called the authorized/nominal capital of the company. This also explains the division of such capital amount into the number of shares of a fixed amount each.

### **Articles of Association:**

Articles of Association is a document which prescribes the rules and bye-laws for the general management of the company and for the attainment of its object as given in the memorandum of association of the company. It is a document of paramount significance in the life of a company as it contains the regulations for the internal administration of the company's affairs.

The articles of association are a subsidiary to the memorandum of association of the company. They define the rights, duties, powers of the management of a company as between themselves and the company at large. Further, they also prescribe the mode and form in which changes in the internal regulation of a company may be made from time to time. The articles of association of a company must always be in consonance with the memorandum of that company and being subordinate to the memorandum; they cannot extend the objects of a company as specified in the memorandum of the company.

Articles of association are like the partnership deed in a partnership. They particularly provide for matters such as the making of calls, forfeiture of shares, directors qualifications, the procedure for transfer and transmission of shares and debentures, powers, duties and appointment of auditors.

The following companies must have their own articles of association:

1. Unlimited Companies
2. Companies limited by guarantee
3. Private companies limited by shares

### **Contents of Articles of Association**

Section 5(1) and section 5(2) of the Companies Act, 2013 provide for the contents of the articles of association.[4] The articles must contain the regulations for the management of the company along with the matters prescribed by the Central Government. Further, the articles of association must also contain the following:

1. Share capital including sub-division, rights of various shareholders, the relationship of these rights, payment of commission, share certificates.

2. Lien of shares: Lien of shares means to retain possession of shares in case the member is unable to pay his debt to the company.
3. Calls on shares: Calls on shares include the whole or part remaining unpaid on each share which has to be paid by the shareholders on the company's demand.
4. Transfer of shares: The articles of association include the procedure for the transfer of shares by the shareholder to the transferee.
5. Transmission of shares: Transmission includes devolution of title by death, succession, marriage, insolvency, etc. It is not voluntary but is in fact brought about by operation of law.
6. Forfeiture of shares: The articles of association provide for the forfeiture of shares if the purchase requirements such as paying any allotment or call money, are not met with.
7. Surrender of shares: Surrender of shares is when the shareholders voluntarily return the shares they own to the company.
8. Conversion of shares in stock: In consonance with the articles of association, the company can convert the shares into stock by an ordinary resolution in a general meeting.
9. Share warrant: A share warrant is a bearer document relating to the title of shares and cannot be issued by private companies; only public limited companies can issue a share warrant.
10. Alteration of capital: Increase, decrease or rearrangement of capital must be done as the articles of association provide.
11. General meetings and proceedings: All the provisions relating to the general meetings and the manner in which they are to be conducted are to be contained in the articles of association.
12. Voting rights of members, voting by poll, proxies: The members' right to vote on certain company matters and the manner in which voting can be done is provided in the articles of association.
13. Directors, their appointment, remuneration, qualifications, powers and proceedings of the boards of directors meetings.
14. Dividends and reserves: The articles of association of a company also provide for the distribution of dividend to the shareholders.
15. Accounts and Audits: The auditing of a company shall be done subject to the provisions of the articles of association of the company.
16. Borrowing powers: Every company has powers to borrow. However, this must be done according to the articles of association of the company.
17. Winding up: Provisions relating to the winding up of the company find mention in articles of association of the company and must be done accordingly.

**Incorporation of Company:**

The incorporation of a company refers to the legal process that is used to form a corporate entity or a company. An incorporated company is a separate legal entity on its own, recognized by

the law. These corporations can be identified with terms like 'Inc' or 'Limited' in their names. It becomes a corporate legal entity completely separate from its owners.

On registration the registrar will issue a certificate of incorporation whereby he certifies that the company is incorporated and in the case of a limited company, that the company is limited. From the date of incorporation mentioned in the certificate, the company becomes a legal person separate from its shareholders.

The legal effect of incorporation is as under:

1. A company becomes a body corporate distinct from its members. It becomes a legal person and not a mere aggregate of the shareholders. Thus, where all the members of a company were killed by a bomb the company was deemed to survive.
2. A company has a perpetual succession and a common seal it is an immortal being.
3. A company can sue and be sued in its own name.
4. A company has a right to hold and alienate its own property. The property of the company belongs to the company itself and not to the individual members.
5. Company's debts and obligations are the liabilities of the company only and cannot be enforced against the individual shareholders.

### **Prospectus:**

The Companies Act, 2013 defines a prospectus under **section 2(70)**. Prospectus can be defined as "any document which is described or issued as a prospectus". This also includes any notice, circular, advertisement or any other document acting as an invitation to offers from the public. Such an invitation to offer should be for the purchase of any securities of a corporate body. Shelf prospectus and red herring prospectus are also considered as a prospectus.

### **Essentials for a document to be called as a prospectus**

For any document to be considered as a prospectus, it should satisfy two conditions.

1. The document should invite the subscription to public share or debentures, or it should invite deposits.
2. Such an invitation should be made to the public.
3. The invitation should be made by the company or on the behalf company.
4. The invitation should relate to shares, debentures or such other instruments.

### **Contents**

For filing and issuing the prospectus of a public company, it must be signed and dated and contain all the necessary information as stated under **section 26 of the Companies Act, 2013**:

1. Name and registered address of the office, its secretary, auditor, legal advisor, bankers, trustees, etc.
2. Date of the opening and closing of the issue.
3. Statements of the Board of Directors about separate bank accounts where receipts of issues are to be kept.
4. Statement of the Board of Directors about the details of utilization and non-utilisation of receipts of previous issues.

5. Consent of the directors, auditors, bankers to the issue, expert opinions.
6. Authority for the issue and details of the resolution passed for it.
7. Procedure and time scheduled for the allotment and issue of securities.
8. The capital structure of the in the manner which may be prescribed.
9. The objective of a public offer.
10. The objective of the business and its location.
11. Particulars related to risk factors of the specific project, gestation period of the project, any pending legal action and other important details related to the project.
12. Minimum subscription and what amount is payable on the premium.
13. Details of directors, their remuneration and extent of their interest in the company.
14. Reports for the purpose of financial information such as auditor's report, report of profit and loss of the five financial years, business and transaction reports, statement of compliance with the provisions of the Act and any other report.

### **Certificate of Commencement**

There are certain rules and regulations you need to follow while establishing anything and everything. These rules and regulations help you form a strong base for your work. These rules are especially mandatory when dealing with any legal venture. Similarly, when you set up your business, you need to follow certain rules and regulations, prescribed by the Government. It gives your entity a legal identity as well as provides you with other benefits. Obtaining Certificate of Commencement of Business is one of the steps you need to follow between registering and running your business. It was a mandatory step until Companies Act, 2015 was introduced. The Act has now removed the previous compulsion of having this certificate. Now, it depends on you whether to obtain one or not. However, discussed below is what is a certificate of commencement of business.

The certificate of commencement of business was a mandatory step under **Companies Act, 2013**. It was mandatory for public companies with share capital. The certificate is issued by the registrar of joint stock companies.

The certificate of commencement of business was important because only after obtaining the certificate were you allowed to start any business related activities. Before that, you were not allowed to exercise any kind of powers or benefits which come along with **company registration**.

### **Steps to obtain Certificate of Commencement**

- First, file e-Form 20 (a declaration).
- Attach the statement in the prospectus of your company ( a legal document which provides all the securities you offer to the public upon the purchase of your product in written).
- File it with the registrar after which a verification will take place.

- After the successful verification, you are issued with the Certificate of Commencement of Business.

**While registering the above documents you will need some other documents too;**

- Identity and Address Proof.
- **DSC (Digital Signature Certificate).**
- Certificate of Registration (which is issued by RBI in the case of non-banking financial companies only).
- A consent letter from all the Directors (Director Declaration as well as board resolution).
- All these documents are submitted along with prescribed fees.

The application for the Certificate of Commencement of Business is generally applied within one hundred and eighty days of incorporation of the company.

Previously, there were consequences of doing business without the certificate of commencement of business, including penalty as well as cancellation of registration of the company. However, with the new Companies Act, 2015 in power, there are no such consequences. It is your will to have the certificate or not. We, at LegalRaasta, can help you to obtain this certificate as well with the company formation.

### Annual Report

Annual reports are formal financial statements that are published yearly and sent to company stockholders and various other interested parties. The reports assess the year's operations and discuss the companies' view of the upcoming year and the companies' place and prospects. Both for-profit and not-for-profit organizations produce annual reports.

Annual reports have been a Securities and Exchange Commission (SEC) requirement for businesses owned by the public since 1934. Companies meet this requirement in many ways. At its most basic, an annual report includes:

TABLE NO. 1			
1.	Chairman's Speech	6.	Schedules
2.	Director's Report	7.	Cash Flow Statement
3.	Auditor's Report	8.	Accounts of Subsidiary
4.	Balance Sheet	9.	Corporate Governance
5.	Profit and Loss Account	10.	Accounting Policies

#### 1. *Chairman's Speech:*

Chairman's speech highlights corporate activities, strategies, researches, labour relations, main achievements, focuses on future goals, growth. In corporate annual report, the chairman's speech may not always be found but may be provided to shareholders as a separate document. Chairman's speech may concentrate on economic condition of the industry to which the corporate unit belongs and the economy of the country.

Sometimes chairman's speech contains useful data on sales, foreign exchange earnings etc. for different segments of the company. Speech may consist of generalizations and constructive comments about industry and economy. This speech is actually delivered at

the annual general meeting of the shareholders. Investors should carefully read the future plans and strategies of the company.

### **2. Director's Report:**

Section 217 of the Company law makes it mandatory on the part of directors to make out and attach to every balance sheet laid in an annual general meeting of the company, a report, known as director's report. As per provisions of Section 217 of Company law, directors are to present their report with respect to the state of company's affairs, the amount if any which they purposes to earn, to any reserve and dividend, materials changes and commitments if any, conservation of energy ; technology absorption and foreign exchange earnings. The board's report is generally signed by the chairman if authorized, otherwise it is signed by the company's manager or secretary if any, by not less than two directors of the company, one of whom shall be managing director.

### **3. Auditor's Report:**

Section 227 of the Companies Act says that the auditors shall make a report to the members of the company. It is the obligatory duty of the directors to get the accounts of company audited every year by qualified auditors. An auditor is appointed by the shareholders of a company to audit accounts and as such, auditor addresses the report to the shareholders of the company on the accounts audited by him. It is the duty of the board of directors to attach the auditor's report to the balance sheet so as to provide a copy of auditor's report to every member of company. Following is the specimen of a auditor's report for reference of the students.

### **4. Balance Sheet:**

Balance sheet which is also known as position statement provides a bird's eye view on company's financial position as well as condition. This statement indicates whatever company has and whatever company owes. The excess of assets over liabilities is known as owners equity/shareholders funds.

### **5. Profit and Loss Account:**

The profit and loss account which is also known as Income Statement indicates net profits earned by company during current financial year. Income statement also indicates profits available for distribution and appropriation after meeting tax liabilities. Profit and Loss Appropriation Account or Retained Earnings Account is also submitted with profit and loss account which indicates appropriations made during the period.

### **6. Schedules:**

An average annual report generally contains some schedules forming part of balance sheet and others forming part of profit and loss account. These schedules are attached with financial statements for giving detailed information regarding items concerned.

**7. Cash Flow Statement:**

The accounting standard AS-3 (Revised) cash flow statements issued by ICAI in March 1997 has made obligatory on the part of companies for reporting its cash flows as per the requirements of the standard.

**8. Accounts of Subsidiary:**

Section 212 of the Companies Act 1956 requires companies to provide statement pursuant to section 212 regarding information's about subsidiaries duly signed by directors and company secretary on behalf of the board of directors along with detailed information regarding directors of different subsidiaries along with secretary auditors and bankers. An information about the addresses of registered offices is also to be attached.

**9. Corporate Governance:**

Corporate Governance focuses on a company's structure and processes to ensure transparent and responsible corporated behaviour corporate Governance is not a sati exercise rather it is a dynamic process effective corporate Governance not only reduces the agency costs incurred due to division of ownership but it helps in saving of time and resources of investors. On the other hand poor corporate governance practices enhance the agency costs and reduce firm valuation.

Whereas good corporate governance facilitates independent supervision of company's management and encourages effective decision making which enhances firm value, reputation, credit rating, improves overall performance, lowers cost of capital, improves access to capital markets and increases competitive edge.

**10. Accounting Policies:**

It has been observed that an average annual report in India use to contain a statement of disclosure on accounting policies followed by the company while preparing financial statements. It may be due to the mandatory compliance of AS-1 (Disclosure of accounting policies). Accounting policies are the specific accounting principles and the methods of applying those principles.

Accounting policies represent choices among different accounting methods that can be used while preparation of financial statements. Every reporting entity use to disclose various accounting policies followed while presenting various items of income statement as well as of balance sheet for instance method followed for charging depreciation on Fixed Assets.

**Society/ Trust registration form****Trust Registration in India**

Trust Registration is done in India by the Trust Act, 1882. The Trust Act, 1882 defines a Trust as "an obligation annexed to the ownership of property and arising out of a confidence reposed in and accepted by the owner, or declared and accepted by him, for the benefit of another or of another and the owner. In simple words it is a transfer of property by

the owner to another for the benefit of a third person along with or without himself or a declaration by the owner, to hold the property not for himself and another.” In India, majority of the Trusts are registered as public charitable trust a form of not-for-profit entity. Public Charitable Trusts can be established for a number of purposes, including the social service, education, healthcare, provision of facilities for recreation, and any other object of general public welfare. In this article, we look at the process for Trust Registration in India:

### **Trust Registration**

A Trust can be created by any person in India who is competent to contract, having in his/her power any property which is transferable. The person creating the Trust is called the Settlor and the person to whom the property is transferred on trust is called a Trustee. The person for whose benefit the property is transferred is called the beneficiary.

If the property to be transferred to the Trust is immovable, then the Trust must be created by the execution of a Trust Deed that is duly registered. In case the Trust is created by the transfer of a movable property, then the Trust can be created by the property owner himself orally or in writing declaring that he would hold the property, not as owner, but as a Trustee for the benefit of some other person(s).

Usually the Trust Deed is the document that establishes the registration of the Trust and usually details items such as:

- Name of the Trust
- Place of office of the Trust
- Objects of the Trust
- Number of Trustees
- Term of the Trustees
- Trust Management
- Appointment or Resignation or Termination of Trustees
- Power, Function and Duties of the Trustees
- Application of Trust Property
- Other important matters

### **Trust Deed Registration**

The Trust Deed must be executed on Stamp Paper of suitable value and signed by the settlor and two witnesses. Once the Trust Deed is executed, it can be registered with the Local Registrar. The Registrar would then register the Trust, retain photocopy of the Trust deed and return the original registered Trust Deed back to the settlor.

### **Online Trust Registration – Form 10A**

The Central Board of Direct Taxes has issued a notification no. 10/2018-Income Tax dated 19.02.2018. Through the said notification, CBDT has substituted entire rule 17A which deals with application for registration of charitable or religious trusts, etc. Under this article we would look at the applicable procedure of trust after implication of notification no. 10/2018-Income Tax.

As per notification no. 10/2018-Income Tax, an application, under section 12A, for registration of charitable or religious trust or institution shall be made online by filing

application in form 10A. The CBDT vide the said notification has made the procedure for obtaining registration of trust online.

### **Document Required for Trust Registration**

Following documents are required for filing online form 10A –

1. If the trust is created, or the institution is established, under an instrument, than in such case, self-certified copy of the instrument creating the trust or establishment of the institution is to be submitted;
2. If the trust is created, or the institution is established, otherwise than under an instrument, than in such case, self-certified copy of the documents evidencing the creation of the trust or establishment of the institution is to be submitted;
3. Self-certified copy of registration with the Registrar of Companies or Registrar of Firms and Societies or Registrar of Public Trusts, as the case may be;
4. Self-certified copy of the documents evidencing adoption or modification of the objects, if any;
5. Where the trust or institution has been in existence during any year or years prior to the financial year in which the application for registration is made, than in such case self-certified copies of the annual accounts of the trust or institution relating to such prior year or years is to be submitted;
6. A note on the activities of the trust or institution needs to be submitted;
7. Self-certified copy of existing order granting registration under section 12A or section 12AA; and
8. Self-certified copy of order of rejection of application for grant of registration under section 12A or section 12AA, if any.

### **Complaint in a Consumer forum**

Sellers today rely on unfair trading practices and try to pass on a false or inferior quality product to the buyer. To save costs and in a race to make more profit, sellers or service providers usually end up ignoring a consumer's interests. The consumer has to pay a high price not only for the product or service but also for the consumer case in a consumer forum that follows.

The Consumer Protection Act, 1986 is the most important law protecting consumer interests and providing legal remedies to consumers who receive inferior, faulty or defective goods or services.

Who can file a consumer complaint in court?

1. Anyone who receives goods or services for free.
2. A person receiving goods or services for resale.
3. Anyone who purchases goods or services for the purpose of trade.

When can a consumer complaint be filed with the Consumer Court?

*A consumer case can be submitted in the following cases:*

1. The goods have a defect.

2. The services suffer from any deficiency.
3. The seller or service provider follows restrictive trading practices. This means that the seller agrees to sell the product or to provide the service only if the consumer agrees to buy or hire some other goods or services. This condition deprives the consumer of his or her right to choose and is more restrictive in nature.
4. The seller or service provider follows unfair trading practice. An unfair trading practice is a deception created by the seller to promote the sale of the product or service. The provision of false information about the goods or services, the making of a false guarantee for the goods or services or making false statement against the goods or services of another person with regard to the sale of certain goods or services are cases of unfair trading practices.
5. The products or services are sold in a manner that violates any law.

What are consumer courts in India?

The various consumer courts in India are divided into 3 tiers, which refer to the total amount of the case and the appeal that lies from the lower tier. The Consumer Forums in India are as follows:

1. **District Consumer Disputes Redressal Forum:** The value of the goods or services and the compensation does not exceed Rs. 20 lakhs.
2. **State Consumer Dispute Redressal Commission:** The value of the goods or services and the compensation is more than Rs. 20 lakhs, but less than Rs. 1 crore, as well as complaints against the orders of any district forum within the state.
3. **National Consumer Disputes Redressal Commission:** The value of the goods or services and the compensation is more than Rs. 1 crore; as well as complaints against the orders of a state commission.

How to file a case in consumer court in India?

Before filing a case with consumer court, the consumer must send a written notice to the seller or service provider through a good **consumer lawyer in India**. The notice must clearly state the consumer's complaints and the action required.

These grounds could be a defect in goods, lack of services, a restrictive or unfair trading practice of the seller, overcharging of the price of the product or service, the sale of dangerous or unsafe products without proper instructions, etc.

The action to be taken by the seller or service provider includes the removal of defects or deficiencies from the goods or services, the replacement of defective goods or the payment of damages. If the seller refuses to respond to the allegations or does not respond to the notice, the consumer may file a consumer complaint with the competent consumer court in India.

However, the consumer case must be filed within 2 years from the date of the cause of action i.e. if the consumer first faced the problem or came to know about the grievance. The consumer courts may refuse to grant any relief even if there is a clear violation of the right of a consumer, unless the consumer has a valid reason for the delay to the court and the court pardon such delay.

A consumer complaint can be filed by the consumer himself or herself, by a group of consumers who have the same interest, by a registered voluntary consumer association, and by the government through a consumer court lawyer in India. The process includes:

1. **Filing of an application:** To seek relief from a consumer forum in India, a consumer complaint must be filed by the consumer. The complaint must include the following requirements:
  - An introduction to the parties
  - Details of the transaction
  - Details of the problem i.e. the error/defect/restrictive or unfair trading practice
  - Proof of written complaint or notice sent to the seller or service provider and reply received in return.
  - The relief sought from the seller or service provider.
2. **Gathering supporting documents:** The consumer complaint must be accompanied by the following supporting documents:
  - Any receipt, coupon, delivery note, bill, invoice etc.
  - An affidavit stating that the contents of the complaint are complete, correct and accurate
  - An index of submitted documents
  - A receipt of payment of court fees
3. **Submitting documents:** The above documents must be prepared in minimum 5 sets of original and submitted to the competent court. In addition, one set of documents must be submitted for each provider named in the complaint. These documents can be filed with the competent court or can be sent to it by registered post.
4. **Payment of the court fee:** The court fee of a consumer court are payable depending on the total claim. The court fees can be paid by way of a demand draft drawn in favor of the respective court. The amount is calculated as follows
  - For a total claim up to Rs. 1 lakh, court costs are Rs. 100.
  - For a total claim up to Rs. 5 Lakhs, court costs are Rs. 200.
  - For a total claim up to Rs. 10 lakhs, court costs are Rs. 400.
  - For a total claim up to Rs. 20 lakhs, court fees are Rs. 500.
  - For a total claim up to Rs. 50 lakhs, court fees are Rs. 2000.
  - For the total claim over Rs. 1 crore, court costs are Rs. 5000.

It is always recommended to take legal advice from the best litigation lawyers in India to file a consumer complaint in a consumer court.

### **Complaint under Right to Information Act.**

**The Right to Information Act**, simply known as RTI, is a revolutionary Act that aims to promote transparency in government institutions in India. The Act came into existence in 2005, after sustained efforts of anti-corruption activists.

It is termed revolutionary because it opens government organisations up for scrutiny. Equipped with knowledge about RTI, a common man can demand any government agency to furnish information. The organisation is bound to provide the information, that too within 30 days, failing which the officer concerned is slapped with a monetary fine.

**When did RTI begin?**

RTI Act has been made by legislation of Parliament of India on 15 June 2005. The Act came into effect on 12 October 2005 and has been implemented ever since to provide information to crores of Indian citizens. All the constitutional authorities come under this Act, making it one of the most powerful laws of the country.

**How to File Complaint under RTI Act?**

You can lodge complaint before CIC or SIC, as the case may be, on any of the grounds mentioned above. Now, I will explain how to file complaint under RTI Act. You may follow step by step procedure provided below to file complaint before information commissions:

**Step-I:** Find the Address of Information Commission:

You can get the address of information commission from the website of the concerned Information Commission. You can also get the address of information commission at below link:

- Addresses of Central/State Information Commission for submitting Second Appeal or Complaint (Coming Soon)

**Step-II:** Check RTI Rules of concerned Information Commission:

The Format and Fees for lodging complaint are not uniform among CIC, and SICs. For example, CIC, and some SICs do not prescribe any format for lodging complaint, but some SICs require minimum documents to be submitted along with complaint. CIC does not charge any fees for complaint, but some SICs do so. Thus, before lodging complaint, you should check the RTI Rules of concerned State. You may find the RTI Rules of Centre as well as State at RTI Rules of Central and State Information Commission.

**Step-III:** Write your Complaint:

Write your complaint as per format prescribed in concerned RTI Rules. If no format is prescribed, you may write your complaint in the format provided at below link:

- Sample Complaint under Section 18 of the RTI Act

**Step-IV:** Self attest all pages of complaint along with attachments:

Sign all pages of complaint along with attachments by writing word "Attested". This is required to confirm that you verify the correctness of all the facts submitted in complaint.

**Step-V:** Serve copy of complaint to all persons against whom you are lodging complaint:

Take as many copies of your complaint along with attachments as the number of persons against whom you are going to lodge complaint plus two (one for yourself and other for information commission). Serve copy of complaint along with attachments to all persons against whom you are lodging complaint and preserve the proof of submission with you. You may serve copies by hand or through Registered Post/ Speed Post.

**Step-VI:** Submit Complaint before Information Commission:

You may submit your original complaint + one additional copy along with attachments and fees, if any, to the CIC or SIC, as the case may be, by hand or through Registered Post/ Speed Post. If you submit your complaint by hand then never forget to take acknowledgment from commission.

**Step-VII:** Preserve copy of complaint and proof of submission, and subsequent follow up with information commission:

Keep copy of complaint along with attachments for reference. After one week of lodging complaint, you may check the registration status of your complaint at the website of concerned information commission. If your complaint is registered take the registration number and note it on your complaint copy. If your complaint is not registered within 15 days, you may contact registry in information commission through e-mail or phone number, ask them to trace your complaint and register the same.

By now, you may have understood how to File Complaint under RTI Act. If you still have any doubt on how to file complaint under RTI Act, you may ask through comment box.

**UNIT-IV: DOCUMENTS OF TAXATION:**

**PAN application under Income Tax Act - TAN application under Income Tax Act - Form:16 to be issued by Employer - TDS and its certificate u/s15 - Income Tax payment challans and Refund Order - Income Tax Returns including TDS Return - Notices under Income Tax Act – Assessment Order - VAT/TOT Dealer-Application and License - Registration under Service Tax.**

**PAN application under Income Tax Act:**

A PAN card is a card issued under the Income Tax Act, 1961 and it contains a unique 10-digit alphanumeric code. This code is computer-generated and is unique to the holder of the card.

**Who can avail a PAN Card?**

The PAN Card is not only issued to individuals. Companies and partnership firms can also avail a PAN Card and it becomes mandatory for such entities to have a PAN number when they are filing their income tax returns. Even in case of individuals, minors, students and Non-Resident Indians can also apply PAN Card online.

**History of PAN Card in India**

Before PAN Card was introduced in India, (General Index Register) GIR came into existence. It was a manual system which was unique to the assessing officer's ward/circle which also resulted in errors and miscalculations. However, GIR was not unique to the individual at country level. In the year 1972, the concept of Permanent Account Number (old series) was first introduced by the Government of India and was made statutory under the section 139A of the Income Tax Act, 1961 with effect from 1st April, 1976.

Different blocks of PAN were allotted to each Commissioner by the Board and Commissioners were responsible for allotment of PAN to the taxpayers under various assessing officers. Allotment of PAN Card was made manually initially, and to avoid duplication, each ward/circle was provided with a certain set of numbers. But Government of India abandoned this process due to various problems associated with it.

**The PAN under old series faced various problems and eventually could not meet the desired objectives because of the following reasons:**

1. There was no database maintained to check the allotment of multiple PANs to taxpayer.
2. Non-structured database under computerized system was limited to few parameter- Name, Address, Status and Designation of Assessing Officer.
3. There was no centralised authority who could issue the PAN Cards, resulting in the possibility that different centers could allot same number to different individuals in the country.
4. There was no permanent number for the taxpayers which ultimately resulted in the change in PAN number with the address of the cardholder.

To avoid the risk of getting it plagiarised, Government of India took the step of introducing new series of PAN card. Section 139A of Income Tax Act was amended with the effect from

01.07.1995 to enable the allotment of PAN under the new series to persons residing in the areas notified by the Board. Also, applications for allotment of PAN under the new series were made mandatory in Delhi, Mumbai, and Chennai with effect from 01.06.1996 and in the rest of country from 11.02.1998.

How to Apply for PAN Card Online/Offline

A PAN Card can be applied for in two ways. One can apply online for pan card through the popular online pan card application process or alternately, the offline mode of PAN card application may also be used. In the following sections we will discuss the methods you can use to apply for and get a PAN card.

#### **Online PAN Card Application Process –**

Here are the steps which are to be followed when applying for the PAN Card using the online mode of application and PAN card registration:

**Step 1:** Visit the relevant website of NSDL or UTIITSL for online application for PAN Card.

**Step 2:** On the website select the option 'New PAN' on the home page.

**Step 3:** There is a new PAN Card Form 49A which should be selected for individuals whether they are Indian Citizens, NRE/NRI or OCI Individuals.

**Step 4:** This form should be filled with the individual's details.

**Step 5:** The applicant would also be required to pay the processing fee online or through a Demand Draft after submitting the form to initiate processing of the form.

**Step 6:** The final page which is generated after paying the fees and submitting the filled out PAN Form 49A contains the 15-digit acknowledgement number.

**Step 7:** The acknowledgement form should be sent to the NSDL PAN office by courier within 15 days of online submission of Form 49A along with the concerned documents.

**Step 8:** After the acknowledgement form is couriered to the NSDL office, PAN no. verification is done and the Card is generated after the NSDL PAN verification. The physical PAN card is sent to the customer's address as mentioned in the form within a period of 15 days.

#### **Offline PAN Card Application Process –**

Applying for the PAN Card can also be done offline at any district level PAN agency.

- Download the PAN card application form from the NSDL or UTIISL websites or collect a copy from UTIISL agents.
- Fill in the form and attach supporting documents (proof of identity, address and photographs)
- Submit the form and documents to the NSDL office along with the processing fee.
- The PAN card will be sent to the address mentioned in the form within 15 working days.

#### **PAN Card Forms**

People can apply for a PAN card by filling Form 49A or Form 49AA. In case of Indian individuals/entities, form 49A is filled where as in case of foreigners, PAN card form 49AA is to be filled. Although PAN card for minors and students can also apply by filling PAN card form 49A. Both forms are available online as well as offline. The components of both forms are as follows – Assessing Officer Code (AO Code), name, address, date of birth, mobile

number and email id, Aadhaar number, etc. In the end, the applicant has to sign the declaration and send it along with the self-attested copies of document proofs to TIN-NSDL's office.

#### Documents Required for a PAN Card

While availing a PAN Card, some key documents are also required to be submitted along with the PAN Card application form (Form 49A or Form 49AA) or the acknowledgement form (if applying online) for PAN card verification process. The requirement of documents varies greatly depending on the applicant. Key documents which are required along with the PAN application form when individuals or other entities apply for a PAN card. Find below the list of documents required for pan card :

#### **For an individual applicant:**

- Identity Proof which can be a copy of any one among the following:
  - Any govt. issued ID – Aadhar, DL, Voter ID, etc.
  - Arm's License
  - Pensioner Card which contains the applicant's photograph
  - A photo ID card which is issued by Central Government, State Government or a Public Sector Undertaking
  - Central Government's Health Scheme Card or Ex-Servicemen's Contributory Health Scheme Photo Card
  - An original bank certificate which is issued on the bank's letterhead from the branch of the bank and attested by the issuing officer. Such a certificate should contain an attested photograph of the applicant along with the bank account number.
- An address proof which can be a copy of any one of the following:
  - Electricity, landline or broadband connection bill
  - Postpaid mobile phone bill
  - Water bill
  - LPG or piped gas connection bill or Gas Connection book
  - Bank account statement
  - Credit card statement
  - Deposit account statement
  - Post Office account Passbook
  - Passport
  - Voter's ID Card
  - Driving License
  - Property registration document
  - Domicile certificate issued by the Indian Government
  - Aadhar Card
  - Original certificate from the employer provided that the employer is a reputed public or private corporation
- Date of birth proof which can be a copy of any one of the following:
  - Birth certificate which is issued by the Municipal Authority or any authorized authority

- Matriculation certificate
- Pension Payment order
- Passport
- Marriage certificate issued by Registrar of Marriages
- Driving license
- Domicile certificate issued by the Indian Government
- An affidavit sworn before a magistrate stating the applicant's date of birth

**For a Hindu Undivided Family (HUF)**

- An affidavit issued by the Karta of the HUF stating the name, address and the father's name of every coparcener as on the date on which the application is made.
- Identity proof, address proof and date of birth proof as in case of an individual for the Karta of the HUF.

**For a company registered in India**

- A copy of the Certificate of Registration issued by the Registrar of Companies.

**For firms and Limited Liability Partnerships formed or registered in India**

- A copy of the Certificate of Registration issued by the Registrar of Firms or Limited Liability Partnerships.
- A copy of the Partnership Deed.

**For Trust formed or registered in India**

- Copy of Trust Deed or a copy of the Certificate of Registration Number issued by a Charity Commissioner.

**For an Association of Persons**

- Copy of Agreement/Certificate of Registration Number from Registrar of Co-operative Society or Charity Commissioner or other competent authority or any document issued by the Central/State Government which shows identity and address of applicant.

**For individuals who are not Indian Citizens**

- A proof of identity which can be any one of the following:
  - Passport copy
  - Copy of PIO card issued by the Indian Government
  - Copy of OCI Card issued by the Indian Government
  - Copy of other national or citizenship Identification Number or TIN attested by applicable 'Apostille', Indian Embassy, High Commission or Consulate where the applicant is based.
- Address proof can be any one of the following:
  - Passport copy
  - Copy of PIO card issued by the Indian Government
  - Copy of OCI Card issued by the Indian Government
  - Copy of other national or citizenship Identification Number or TIN attested by relevant 'Apostille', Indian Embassy, High Commission or Consulate
  - Copy of bank statement of the residential country
  - Copy of NRE bank statement in India
  - Copy of resident certificate or Residential permit

- Copy of registration certificate issued by FRO
- Copy of VISA granted and appointment letter from any Indian company

### **TAN application under Income Tax Act**

Tax Deduction Account Number or Tax Collection Account Number which is a 10-digit alphanumeric number. The number which is issued by the Income Tax Department is required to be obtained by all persons who are responsible for collecting tax at source (TCS) or for deducting tax at source (TDS). In this article, we take a look at some important points regarding TAN like the online procedure for obtaining TAN, documents required, getting to know TAN details using the name, and the consequence of not quoting TAN in required places.

### **Procedure For Online TAN Application**

TAN can be obtained either through online and offline mode. Here, we look at the procedure involved to apply online for a new TAN. Applicants need to follow the steps mentioned below if they intend to apply online for a new Tax Deduction Account Number (TAN):

- Visit [www.tin-nsdl.com/index.html](http://www.tin-nsdl.com/index.html)
- Select 'TAN' under the 'Services' dropdown
- Click on 'Apply Online'
- Select 'New TAN'
- On the new page, choose from the list 'category of deductors'
- Next, click on 'Select'
- On doing so, the applicant is redirected to Form 49B
- Fill in the form
- Click 'Submit'
- On confirmation, an acknowledgement screen is displayed which contains the following:
  - 14-digit acknowledgement number
  - Name of the applicant
  - Status of the applicant
  - Contact details
  - Payment details
  - Space for signature
- The applicant is required to save the acknowledgement and get a printout of it
- The printout of the acknowledgement along with other documents is required to be sent to NSDL at – NSDL e-Governance Infrastructure Limited

5th floor, Mantri Sterling  
Plot No.341, Survey No.997/98,  
Model Colony  
Near Deep Bungalow Chowk  
Pune – 411016

**Documents To be Submitted Along With TAN Application**

While applying for a new TAN, applicants are not required to submit any documents. The only thing they need to submit is the signed acknowledgement slip if they apply for a new TAN through online mode.

**How To Know TAN Details Using Applicant's Name**

An applicant can know the TAN details by using the name of the applicant as well. This can be done by following the steps mentioned below:

- Visit [www.incometaxindiaefiling.gov.in](http://www.incometaxindiaefiling.gov.in)
- Click on 'Know Your TAN'
- Select 'Name' under the 'TAN Search' option
- Select 'Category of Deductor'
- Select 'State'
- Provide 'Name' and 'Mobile Number'
- Press on 'Continue'
- Provide the One Time Password (OTP) sent on the registered mobile number in the corresponding screen
- Next, click 'Validate'
- The details are displayed on the corresponding screen.

**Consequences Of Not Quoting TAN**

If the 10-digit alphanumeric TAN number is not quoted by eligible persons at requisite places, they can face the prospect of paying a penalty of Rs.10,000 under Section 272BB(1). If a wrong TAN is provided, the same penalty is imposed on the applicant under Section 272BB. Apart from the above-mentioned points, if a TAN is not quoted in places where it is required, the following may also occur:

- TDS or TCS returns are not accepted by TIN facilitation centres
- Banks do not accept the challans for TDS/TCS payments

**Form:16 to be issued by Employer****What is Form 16?**

Form 16 is a certificate issued to salaried individuals from their employer when he deducts tax from the employee salary. In simple words, it is an acknowledgement which states your deducted tax has been deposited with the income tax department. Form 16 is an important document that is issued in accordance with the provisions of the Income Tax Act, 1961. A form 16 contains details of the amount of tax deducted at source (TDS) on salary by your employer along with the salary breakup for the financial year. In a nutshell, it could be said that a Form 16 is a certificate of proof of the TDS deducted & deposited by your employer.

**Why Form 16 is required?**

Form 16 is a very important document as it:

- Serves as a proof that government has received the tax deducted by your employer.

- Assists in the process of filing your income tax return with the Income Tax Department.
- Many banks and financial institutions demand Form 16 for verification of the person's credentials while applying for loans.

**Who issues Form 16?**

Income Tax Law, mandates the employer who holds TAN no and deduct tax on salary of employee to issue Form 16. If your tax is not being deducted then your employer can refuse to issue Form 16 to you.

**When Form 16 is to be issued?**

It must be issued by 15th June of the year for which it is being issued. For example, for the F.Y. 2017-18, the due date for issue of Form 16 was 15th June, 2018. If any employer delays or fails to issue Form 16 by the specified date, then he is liable to pay a penalty of Rs.100 per day till the date the default continues.

**How to read/understand your Form 16?**

Understanding & learning how to fill form 16 is very simple. It is divided into two sections- Part A and Part B.

**Form 16 Part A :**

This part of income tax form 16 covers employer, employee, TDS payment details. It shows quarter-wise details of your tax deposited with the government. Some of the details are:

- Name and Address of the employer.
- PAN and TAN of the employer.
- Name and Address of the employee
- PAN of the employee
- Statement of taxes paid by employer.

**Form 16 Part B**

This part shows the detailed computation of Income, on the basis of which tax is being calculated and deducted by your employer. It contains the breakup of the salary earned by you, various deductions, exemptions (if any) and the tax computation after considering all the items on the basis of current tax slab rates. The details mentioned in Part B are as follows:

**A. Gross Salary(1):** This part of Form 16 requires details of salary as per provisions of section 17(1), perquisites and any profits received in lieu of salary.

**B. Exemptions and allowances considered(2) :** Earlier in this part of form , combined information of all the exemptions under Section 10 was required, but with the introduction of new Form 16 , a list of allowances is provided, and the details are required to be filled. The list of allowances are as follows:

- Travel concession or assistance under section 10(5)
- Death-cum-retirement gratuity under section 10(10)
- Commuted value of pension under section 10(10A)
- Cash equivalent of leave salary encashment under section 10(10AA)

- House rent allowance under section 10(13A)
- Amount of any other exemption under section 10

**C. Total Amount of Salary received from Employer (3):** This part of form calculates the total salary received including allowances and other perquisites.

**D. Deductions under Section 16 (4):** Budget 2018 announced the standard deduction in lieu of transport and medical allowances received by the employee. In the new form 16 a separate column for standard deduction is introduced. All the deduction columns are mentioned below:

- Standard deduction under section 16(ia)
- Entertainment allowance under section 16(ii)
- Tax on employment under 16(iii)

**E. Total amount of deduction under section 16 (5)**

**F. Income Chargeable under the head “Income from Salaries”(6):** this column shows the net income from salary after deduction of all the allowances and deductions

**G. Any other income declared by employee as per section 192BB (7):** This column of form enables the employee to declare any other income with the proofs of the income.

**H. Total amount of other income reported by employee(8):** This column provides total of all income earned by an employee other than salary.

**I. Gross Total Income (9):** This column of the form indicates total income of employees reduced by the exemptions but before deduction under Chapter VI-A.

**J. Deduction under Chapter VI-A (10):** Earlier, there was no separate list of deductions, an option was there to disclose the section under which deduction has been claimed. But in Form 16, disclosure of deductions is required as per separate list.

**K. Aggregate of deductible amount under Chapter VI-A (11):** This column totals the amount of deduction from all the sections under Chapter VI- A as claimed by employee.

**L. Total taxable Income (12):** This column refers to the net income of the employee after considering deduction under Chapter VI-A. This is the amount on which tax is calculated.

**M. Tax on Total Income (13)**

**N. Rebate under section 87A, if applicable (14)**

**O. Surcharge, wherever applicable (15)**

**P. Health and education Cess (16) :** This column is introduced in the new Form 16, as health and education cess is announced in Budget 2018.

**Q. Tax payable (17)**

**R. Relief under section 89 (18)**

**S. Net tax payable (19)**

### TDS and its certificate u/s15

According to the Income Tax Act, 1961, policies and regulations related to tax deducted at source (TDS) are managed by CBDT (Central Board of Direct Taxes). A person who is liable to deduct the tax is called “deductor” and the person from whose account the relevant TDS is deducted is called “deductee”.

As per the working mechanism of TDS, the deductor deducts the tax at the time of making payment (if it is above a predefined limit) and forward the same to the government on behalf of the deductee. It is the deductor’s duty to pay the tax deducted at source to the government within a prescribed time limit. The deductor after filing returns, issues a TDS certificate to the deductee.

### Advantages of Tax deducted at source (TDS)

- It helps to prevent tax evasion.
- As TDS deductions take place throughout the financial year, it’s an effective mode of revenue inflow to the government.
- It widens the tax collection base.
- It is a way to share the responsibility of tax collection between the government and the deductors.

### Income Tax payment challans and Refund Order

#### OLTAS Payments

OLTAS was introduced for collection, reporting and accounting of all kinds of direct taxes. We will discuss below procedure for direct tax payments under OLTAS. You may do it online or offline by visiting any of the OLTAS authorised bank branches.

#### 2. Payments online

- Visit <https://www.tin-nsdl.com/> > Services > e-payment : Pay Taxes Online



- Choose the relevant challan for the payment:

Select applicable challan

TDS on Rent of Property	
<u>Form 26QC</u>	(Payment of TDS on Rent of Property)
Taxation and Investment Regime for Pradhan Mantri Garib Kalyan Yojana, 2016 (PMGKY)	
<u>CHALLAN NO./ITNS 287</u>	(Payment under Pradhan Mantri Garib Kalyan Yojana, 2016 (PMGKY))
Income Declaration Scheme, 2016	
<u>CHALLAN NO./ITNS 286</u>	(Payment under Income Declaration Scheme, 2016)
Equalization Levy	
<u>CHALLAN NO./ITNS 285</u>	(Payment of Equalization Levy)
TDS on Sale of Property	
<u>Form 26QB</u>	(Payment of TDS on Sale of Property)
Demand Payment for TDS on Property	
<u>Demand Payment</u>	(Payment against CPC (TDS) raised demand (only for TDS on Sale of Property))
TDS/TCS	
<u>CHALLAN NO./ITNS 281</u>	(Tax Deducted at Source / Tax Collected at Source (TDS/TCS) from corporates or non-corporates)
Non-TDS/TCS	
<u>CHALLAN NO./ITNS 280</u>	(Payment of Income tax & Corporation Tax)
<u>CHALLAN NO./ITNS 282</u>	(Payment of Securities Transaction Tax, Hotel Receipts Tax, Estate Duty, Interest Tax, Wealth Tax, Expenditure Tax /Other direct taxes & Gift tax)
<u>CHALLAN NO./ITNS 283</u>	(Payment of Banking Cash Transaction Tax and Fringe Benefits Tax)

- For ease of explanation, we are using screenshots of Challan No./ITNS 280. Procedure is similar for all types of challan
- Select applicable major head code i.e., corporate tax or non corporate tax under taxes applicable:

## e-Payment

### Income Tax Department

Tax Applicable* <input type="radio"/> (0020) Corporation Tax (Companies) <input type="radio"/> (0021) Income Tax (Other than Companies)		Challan No./ITNS 280
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- Enter PAN and Assessment year for which tax is being paid. No need to enter the name of taxpayer. Data with respect to name will be automatically taken from PAN records and displayed in the next screen.

Permanent Account No*	<input type="text"/>	Assessment Year*	Assessment Year ▼
-----------------------	----------------------	------------------	-------------------

Full Name (Masked)	Name as per Income Tax Department database (Masked) will be displayed on confirmation screen
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- Enter contact details such as address, email id and contact number

Flat/Door/BlockNo.	<input type="text"/>	Name of premises/Building/ Village	<input type="text"/>
Road/Street/Lane	<input type="text"/>	Area/Locality	<input type="text"/>
City/District*	<input type="text"/>	State*	State <input type="text"/>
Pin Code *	<input type="text"/>		
Email ID	<input type="text"/>		
Mobile No.	<input type="text"/>		

- Select applicable minor head code

<b>Type Of Payment*</b>	
<input type="radio"/> (100) Advance Tax	<input type="radio"/> (102) Surtax
<input type="radio"/> (300) Self Assessment Tax	<input type="radio"/> (106) Tax on Distributed Profit
<input type="radio"/> (400) Tax on Regular Assessment	<input type="radio"/> (107) Tax on Distributed Income

- Select mode of payment whether netbanking or by using debit card and choose the bank name from the drop down. As of now debit card payment is enabled only for four banks namely HDFC, ICIC, Indian Bank, Punjab National and State Bank of India. Netbanking payment is available for 25 banks. Also enter captcha image and click on 'proceed'

<b>Mode Of Payment*</b>	
<input checked="" type="radio"/> Net-Banking	Bank Name <input type="text"/>
<input type="radio"/> Debit Card	Bank Name <input type="text"/>
Type the characters you see in the picture below. These characters are case sensitive.	
  click to refresh image	
<input type="text"/>	

- Once you submit the data, a confirmation screen will be displayed along with that taxpayer's details as per PAN.
- Post verification, click on 'submit to the bank. In case details need to modified click on 'edit' and follow the same procedure again.
- Taxpayer will now be directed to bank website. Either login to netbanking or enter debit card details and complete the payment
- On successful payment processing, a challan counterfoil will be displayed containing Challan Identification Number (CIN), payment details and bank name through which

e-payment has been made. This serves as proof of tax payment. CIN is a unique number containing the following information:

- a. 7 digits BSR Code allotted by RBI to the bank branch where tax is deposited
- b. Date of presentation of the challan (DD/MM/YY)
- c. 5 digits serial number of Challan in that bank branch on that day

### **3. Payment made at banks**

- You can make payment at any bank, authorised under OLTAS. Bank branch details can be found here
- Payment can be made either by way of cash or cheque or Demand Draft
- Fill the challan as mentioned in 'online payment' and submit to the bank
- Tear-off portion from the challan is given to taxpayer after the collecting bank puts a rubber stamp on the challan and its counterfoil with a unique Challan Identification Number (CIN).
- Tear off portion of counterfoil is given to taxpayer immediately in case of cash payment and after realisation of demand draft or cheque in case of payments by DD/cheque. However, in case of online payment, challan is generated immediately after payment processing. However, tax payment date will be date of submission of the cheque or demand draft.

### **4. OLTAS Refunds**

Once income tax returns are filed by taxpayers, they are processed by the income tax authorities at the Centralised Processing Centre (CPC) for arithmetical accuracy and matching the tax paid/deducted details entered in the return with details available in income tax department records. Post return processing, an intimation will be sent to taxpayer intimating the tax payable/refund. In case of refund payable to the taxpayer, the refund orders are generated and transmitted to the income tax refund banker—State Bank of India, CMP Branch, Mumbai as per refund banker scheme.

### **5. Refund Banker Scheme**

Launched in 2007 by the finance minister to speed up the refund issue process, the refund banker scheme authorizes specific banks to issue refunds on behalf of the income tax department. State Bank of India is the authorized banker under the scheme. Once returns are processed, refunds are transmitted to SBI on the next day of processing. Either a cheque is sent to the communication address available in the income tax return or credited directly to the bank account of the taxpayer via ECS.

Refund banker scheme is available for all kinds of taxpayers (except large taxpayer units) and for returns processed at CPC/by tax officer. OLTAS has enabled taxpayers to check status of refund online after 10 days of their refund transmitted to SBI.

### **6. How to check refund status online?**

Introduction of OLTAS has made checking refund status easy and it can be checked online by using the below procedure:

- Visit <https://tin.tin.nsdl.com/oltas/refundstatuslogin.html>
- Enter PAN, relevant assessment year and captcha image and click on 'submit'
- Refund status will be displayed on the next screen
- Refund paid details will also be reflected in Form 26AS in the 'Tax credit statement'

**7. Key points to be noted in case of refund claim**

- If the online refund status says- 'refund had expired', kindly request for re-issuance of refund by either logging into e-filing portal or by contact your assessing officer in case return was filed manually.
- If the Status says – 'refund had returned'- this could be due to the cheque or demand draft sent to specified communication address has returned undelivered or the bank account details provided for ECS are incorrect. In such cases, contact your assessing officer to get the refund re-issued with right details. In case of e-filing, place a request for reissuance of refund in your e-filing account.
- If the status says – 'refund paid'- this could be a delay from processing banks end. Check with concerned department of refund banker i.e., SBI
- If the status says – 'no demand no refund', this could mean that return is processed, but income tax department has found that there was no refund payable. In such cases you can file for rectification by submitting all the relevant income and investment proofs.
- Additionally, it is important for a taxpayer to intimate the income tax department if the details of the bank account quoted in the income tax return for receipt of refund is closed before receiving the refund or there has been a change of address.

**8. Procedure for request for re-issue of refund**

- Login into income tax e-filing portal
- Under 'My Account' click on "Refund Re-issue Request"
- Enter PAN, relevant Assessment Year, CPC Communication Reference Number if any, Refund Sequence Number (available on the intimation sent by CPC) and Click on 'Validate' button.
- After validation, taxpayer can select the mode of Refund Reissue i.e., ECS or paper mode
- Taxpayer can choose to update the Bank Account Details from the option under the field 'Do you want to update Bank Account details?'
- If taxpayer selects 'Yes', he has to enter details in the additional fields i.e. Bank Account number, Type of Account and IFSC code
- If taxpayer has chosen paper mode of refund, he can choose the address to which the cheque has to be sent under the dropdown 'Category'.
- If the taxpayer selects 'ITR Address', address provided in the ITR uploaded will be used
- If the taxpayer selects 'PAN Address', address provided in the PAN will be used
- If the taxpayer selects 'New Address', taxpayer has to enter details in the additional fields displayed.
- Click on 'Submit' to validate the details.
- On successful validation, taxpayer will get the success message

**UNIT-V: BUSINESS CHARTS:**

Elements of business - Forms of business organizations - Procedure of incorporation of companies - Classification of partners with salient features of each of them - International, National, State level and Regional entrepreneurs - Hierarchy of Banking business in India - Tax administration in India - Various taxes imposed in India - Export and import procedure - Purpose and powers of authorities like RBI, SEBI, IRDA, ROC.

**Elements of Business**

Every business is fundamentally a collection of five Interdependent processes, each of which flows into the next:

1. Value-Creation. Discovering what people need, want, or could be encouraged to want, then creating it.
2. Marketing. Attracting attention and building demand for what you've created.
3. Sales. Turning prospective customers into paying customers by completing a transaction.
4. Value-Delivery. Giving your customers what you've promised and ensuring they're satisfied with the transaction.
5. Finance. Bringing in enough money to keep going and make your effort worthwhile.

If these five things sound simple, it's because they are. Business is not (and has never been) rocket science — it's simply a process of identifying a problem and finding a way to solve it in a way that benefits both parties.

Anyone who tries to make business sound more complicated than this is either trying to impress you with their worldliness or sell you something you don't need.

**Forms of Business Organization**

If one is planning to start a business or is interested in expanding an existing one, an important decision relates to the choice of the form of organisation. The most appropriate form is determined by weighing the advantages and disadvantages of each type of organisation against one's own requirements. Various forms of business organisations from which one can choose the right one include:

- (a) Sole proprietorship,
- (b) Joint Hindu family business,
- (c) Partnership,
- (d) Cooperative societies, and
- (e) Joint stock company.

**SOLE PROPRIETORSHIP**

Sole proprietorship is a popular form of business organisation and is the most suitable form for small businesses, especially in their initial years of operation. Sole proprietorship refers to a form of business organisation which is owned, managed and controlled by an individual who is the recipient of all profits and bearer of all risks. This is evident from the term itself. The word "sole" implies "only", and "proprietor" refers to "owner". Hence, a sole proprietor is the one who is the only owner of a business. This form of

business is particularly common in areas of personalised services such as beauty parlours, hair saloons and small scale activities like running a retail shop in a locality.

Sole trader is a type of business unit where a person is solely responsible for providing the capital, for bearing the risk of the enterprise and for the management of business. - **J.L. Hansen**

The individual proprietorship is the form of business organisation at the head of which stands an individual as one who is responsible, who directs its operations and who alone runs the risk of failure. - **L.H. Haney**

## **PARTNERSHIP**

The inherent disadvantage of the sole proprietorship in financing and managing an expanding business paved the way for partnership as a viable option. Partnership serves as an answer to the needs of greater capital investment, varied skills and sharing of risks.

The Indian Partnership Act, 1932 defines partnership as “the relation between persons who have agreed to share the profit of the business carried on by all or any one of them acting for all.”

The partnership deed generally includes the following aspects:

- Name of firm
- Nature of business and location of business
- Duration of business
- Investment made by each partner
- Distribution of profits and losses
- Duties and obligations of the partners
- Salaries and withdrawals of the partners
- Terms governing admission, retirement and expulsion of a partner
- Interest on capital and interest on drawings
- Procedure for dissolution of the firm
- Preparation of accounts and their auditing
- Method of solving disputes

## **JOINT HINDU FAMILY BUSINESS**

Joint Hindu family business is a specific form of business organisation found only in India. It is one of the oldest forms of business organisation in the country. It refers to a form of organisation wherein the business is owned and carried on by the members of the Hindu Undivided Family (HUF). It is governed by the Hindu Law. The basis of membership in the business is birth in a particular family and three successive generations can be members in the business.

The business is controlled by the head of the family who is the eldest member and is called karta. All members have equal ownership right over the property of an ancestor and they are known as co-parceners.

**COOPERATIVE SOCIETY**

The word cooperative means working together and with others for a common purpose.

The cooperative society is a voluntary association of persons, who join together with the motive of welfare of the members. They are driven by the need to protect their economic interests in the face of possible exploitation at the hands of middlemen obsessed with the desire to earn greater profits.

The cooperative society is compulsorily required to be registered under the Cooperative Societies Act 1912. The process of setting up a cooperative society is simple enough and at the most what is required is the consent of at least ten adult persons to form a society. The capital of a society is raised from its members through issue of shares. The society acquires a distinct legal identity after its registration.

**JOINT STOCK COMPANY**

A company is an association of persons formed for carrying out business activities and has a legal status independent of its members. A company can be described as an artificial person having a separate legal entity, perpetual succession and a common seal. The company form of organisation is governed by The Companies Act, 2013. As per section 2(20) of Act 2013, a company means company incorporated under this Act or any other previous company law.

The shareholders are the owners of the company while the Board of Directors is the chief managing body elected by the shareholders. Usually, the owners exercise an indirect control over the business. The capital of the company is divided into smaller parts called 'shares' which can be transferred freely from one shareholder to another person (except in a private company).

**Types of Companies**

A company can be either a private or a public company. These two types of companies are discussed in detail in the following paragraphs.

**Private Company**

A private company means a company which: (a) restricts the right of members to transfer its shares; (b) has a minimum of 2 and a maximum of 200 members, excluding the present and past employees; (c) does not invite public to subscribe to its securities and It is necessary for a private company to use the word private limited after its name. If a private company contravenes any of the aforesaid provisions, it ceases to be a private company and loses all the exemptions and privileges to which it is entitled.

**Public Company**

A public company means a company which is not a private company. As per The Companies Act, a public company is one which: (a) has a minimum of 7 members and no limit on maximum members; (b) has no restriction on transfer securities; and (c) is not prohibited

from inviting the public to subscribe to its securities. However, a private company which is a subsidiary of a public company is also treated as a public company.

### **Procedure of incorporation of companies**

A company being an artificial entity comes into existence only after its registration with the Registrar of Companies. A number of formalities have to be completed before a request is made to the Registrar for its registration. A legal process has to be completed before a company obtains a separate legal entity. After ensuring that all necessary documents are filed, the Registrar of companies issues a Certificate of Incorporation. With this Certificate, the company becomes a separate legal entity.

#### **Steps for Incorporating a Company:**

**Before getting a company registered, a number of steps have to be taken up:**

##### **1. Application for approval of name:**

The first step in getting a company incorporated is of obtaining the approval of name from Registrar of Companies. A company may adopt any name which is not prohibited under the Emblems and Names (Prevention of Improper Use) Act, 1950 and which is not identical with or does not closely resemble the name of a company already registered.

The applicant should give a panel of three names in order to avoid delay. The application for the approval of name should be sent the Registrar of Companies of the state, in which, the Company is to be situated. The Registrar is expected to approve the name within 14 days of the receipt of application. The proposed name must be registered within 3 months from the date of intimation by the Registrar, failing which, the promoter will have to apply again to the Registrar for the revalidation of the approval.

##### **2. Preparation of Memorandum of Association:**

The preparation of Memorandum of Association is the next step in the incorporation of a company. It is the constitution of the company, which describes its objects and scope and the relation with outside world. The memorandum is to be signed by at-least seven persons if it is a public limited company and at least two persons in case of a private limited company. The memorandum should also be properly stamped.

##### **3. Preparation of Articles of Association:**

Besides memorandum, the promoters will also prepare Articles of Association. It is a document which contains rules and regulations relating to the internal management of the company. A public limited company may not file its own Articles of Association, it may adopt model clauses prescribed in Table A, Schedule 1 of the Act. A private limited company is also required to submit its Articles duly signed by the signatories.

##### **4. Preparation of other documents:**

**The promoters are also expected to prepare the following documents at the time of incorporating the company:**

- (i) The consent of directors is acquired first and filed with the Registrar of Companies.
- (ii) The promoters should execute a Power of Attorney in favour of one of them or an advocate who is to carry out the formalities required for registration.

(iii) Copies of preliminary agreements, memorandum and Articles of Association must also be prepared and filed at the time of registration.

(iv) The company is required to have a registered office and its information is filed with the Registrar within 30 days of its registration or from the date of commencement of business, whichever is earlier.

(v) Where the company names first directors in its Articles, their particulars are to be submitted with the Registrar within 30 days of its registration or appointment of such directors.

(vi) A statutory declaration that all legal requirements for registration have been complied with is also filed with the Registrar at the time of registration. The declaration must be signed by an advocate of Supreme Court or High Court, or an attorney or pleader of High Court or a practising Chartered Accountant.

#### **5. Payment of fees:**

At the time of registration, prescribed registration fees and filing fee for each document filed for registration are to be paid at the Registrar's office. The fee to be paid, varies with the amount of nominal Capital in case of companies with share capital or according to the number of members in case of companies without share capital.

#### **6. Incorporation Certificate:**

When all the required documents are filed with the Registrar along with the requisite fees, a scrutiny is made. When all documents are found in order, the Registrar will enter the name of the company in the Register of Companies and issues a Certificate of Incorporation. The date mentioned in the certificate is the date of incorporation of the company.

#### **Classification of partners:**

**Types of Partners** A partnership firm can have different types of partners with different roles and liabilities. An understanding of these types is important for a clear understanding of their rights and responsibilities. These are described as follows:

**(i) Active partner:** An active partner is one who contributes capital, participates in the management of the firm, shares its profits and losses, and is liable to an unlimited extent to the creditors of the firm. These partners take actual part in carrying out business of the firm on behalf of other partners.

**(ii) Sleeping or dormant partner:** Partners who do not take part in the day to day activities of the business are called sleeping partners. A sleeping partner, however, contributes capital to the firm, shares its profits and losses, and has unlimited liability.

**(iii) Secret partner:** A secret partner is one whose association with the firm is unknown to the general public. Other than this distinct feature, in all other aspects he is like the rest of the partners. He contributes to the capital of the firm, takes part in the management, shares its profits and losses, and has unlimited liability towards the creditors.

**(iv) Nominal partner:** A nominal partner is one who allows the use of his/her name by a firm, but does not contribute to its capital. He/she does not take active part in managing the firm, does not share its profit or losses but is liable, like other partners, to the third parties, for the repayments of the firm's debts.

**(v) Partner by estoppel:** A person is considered a partner by estoppel if, through his/her own initiative, conduct or behaviour, he/she gives an impression to others that he/she is a partner of the firm. Such partners are held liable for the debts of the firm because in the eyes of the third party they are considered partners, even though they do not contribute capital or take part in its management. Suppose Rani is a friend of Seema who is a partner in a software firm — Simplex Solutions. On Seema's request, Rani accompanies her to a business meeting with Mohan Softwares and actively participates in the negotiation process for a business deal and gives the impression that she is also a partner in Simplex Solutions. If credit is extended to Simplex Solutions on the basis of these negotiations, Rani would also be liable for repayment of such debt, as if she is a partner of the firm.

**(vi) Partner by holding out:** A partner by 'holding out' is a person who though is not a partner in a firm but knowingly allows himself/herself to be represented as a partner in a firm. Such a person becomes liable to outside creditors for repayment of any debts which have been extended to the firm on the basis of such representation. In case he is not really a partner and wants to save himself from such a liability, he should immediately issue a denial, clarifying his position that he is not a partner in the firm. If he does not do so, he will be responsible to the third party for any such debts.

**(vii) Minor as a Partner:** Partnership is based on legal contract between two persons who agree to share the profits or losses of a business carried on by them. As such a minor is incompetent to enter into a valid contract with others, he cannot become a partner in any firm. However, a minor can be admitted to the benefits of a partnership firm with the mutual consent of all other partners. In such cases, his liability will be limited to the extent of the capital contributed by him and in the firm. He will not be eligible to take an active part in the management of the firm. Thus, a minor can share only the profits and can not be asked to bear the losses. However, he can if he wishes, inspect the accounts of the firm. The status of a minor changes when he attains majority. In fact, on attaining majority, the minor has to decide whether he would like to become a partner in the firm. He has to give a public notice of his decision within six months of attaining majority. If he fails to do so, within the stipulated time, he will be treated as a full-fledged partner and will become liable to the debts of the firm to an unlimited extent, in the same way as other active partners are.

Type	Capital contribution	Management	Share in profits/ losses	Liability
Active partner	Contributes capital	Participates in management	Shares profits/ losses	Unlimited liability
Sleeping or dormant partner	Contributes capital	Does not participate in management	Shares profits/ losses	Unlimited liability
Secret partner	Contributes capital	Participates in management, but secretly	Shares profits/ losses	Unlimited liability
Nominal partner	Does not contribute capital	Does not participate in management	Generally does not share profits/ losses	Unlimited liability
Partner by estoppel	Does not contribute capital	Does not participate in management	Does not share profits/ losses	Unlimited liability
Partner by holding out	Does not contribute capital	Does not participate in management	Does not share profits/ losses	Unlimited liability

### Entrepreneur:

#### Definitions of Entrepreneur –

According to Bernard Belidor, Jean Baptiste, Jan Tinbergen, Adam Smith, Alfred Marshall, Joseph A. Schumpeter and Others

The term “entrepreneur” is defined in a variety of ways. Yet no consensus has been arrived at on the precise skills and abilities that make a person a successful entrepreneur.

The concept of entrepreneur varies from country to country as well as from period to period and the level of economic development thoughts and perceptions. A review of research done in different disciplines over the years would improve our understanding of the concept of entrepreneur.

The word ‘entrepreneur’ is derived from the French verb *entreprendre*. It means “to undertake.” In the early 16th century, the Frenchmen who organised and led military expeditions were referred to as “entrepreneurs.” Around 1700 A.D., the term was used for architects and contractors of public works.

Bernard Belidor applied it to the function of buying labour and material and uncertain prices and selling the resultant product at contracted price.

Quesnay regarded the rich farmer as an entrepreneur who manages and makes his business profitable by his intelligence, skill and wealth.

In many countries, the entrepreneur is often associated with a person who starts his own new and small business. Business encompasses manufacturing, transport, trade and all other self-employed vocations in the service sector. But not every new small business is entrepreneurial or represents entrepreneurship.

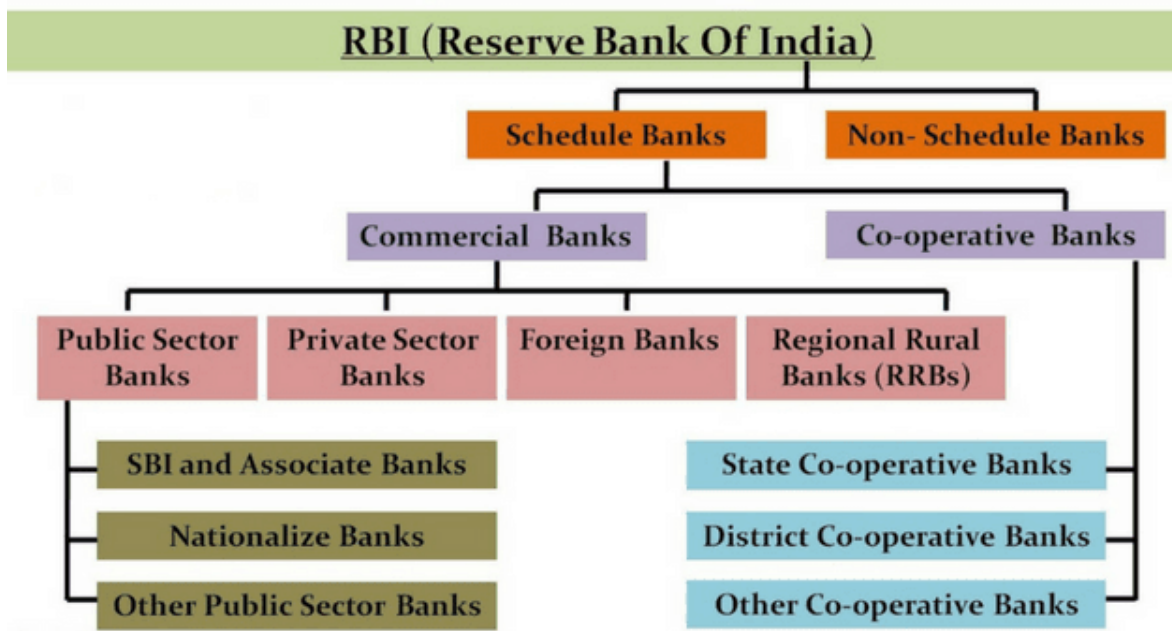
### Hierarchy of Banking business in India

Reserve Bank of India is the Central Bank of our country. It was established on 1st April 1935 under the RBI Act of 1934. It holds the apex position in the banking structure. RBI performs various developmental and promotional functions. As of now 26 public sector banks in India out of which 21 are Nationalised banks and 5 are State Bank of India and its associate banks. There are total 92 commercial banks in India. Public sector banks hold near about 75% of the total bank deposits in India.

Indian Banks are classified into commercial banks and Co-operative banks. Commercial banks comprise: (1) Schedule Commercial Banks (SCBs) and non-scheduled commercial banks. SCBs are further classified into private, public, foreign banks and Regional Rural Banks (RRBs); and (2) Co-operative banks which include urban and rural Co-operative banks.

**The Indian banking industry has its foundations in the 18th century**, and has had a varied evolutionary experience since then. The initial banks in India were primarily traders' banks engaged only in financing activities. Banking industry in the pre-independence era developed with the Presidency Banks, which were transformed into the Imperial Bank of India and subsequently into the State Bank of India.

#### Structure of Indian Banking System is as Follows:



### Organisational Structure

#### 1. Reserve Bank of India:

Reserve Bank of India is the Central Bank of our country. It was established on 1st April 1935 accordance with the provisions of the Reserve Bank of India Act, 1934. It holds the apex position in the banking structure. RBI performs various developmental and promotional functions.

It has given wide powers to supervise and control the banking structure. It occupies the pivotal position in the monetary and banking structure of the country. In many countries central bank is known by different names.

For example, Federal Reserve Bank of U.S.A, Bank of England in U.K. and Reserve Bank of India in India. Central bank is known as a banker's bank. They have the authority to formulate and implement monetary and credit policies. It is owned by the government of a country and has the monopoly power of issuing notes.

## **2. Commercial Banks:**

Commercial bank is an institution that accepts deposit, makes business loans and offer related services to various like accepting deposits and lending loans and advances to general customers and business man.

These institutions run to make profit. They cater to the financial requirements of industries and various sectors like agriculture, rural development, etc. it is a profit making institution owned by government or private or both.

**Commercial bank includes public sector, private sector, foreign banks and regional rural banks:**

## **3. Public Sector Banks:**

Currently there are 21 Nationalised banks in India. The public sector accounts for 75 percent of total banking business in India and State Bank of India is the largest commercial bank in terms of volume of all commercial banks.

## **4. Private Sector Banks:**

The **private-sector banks in India** represent part of the **Indian banking sector** that is made up of both **private** and **public sector banks**. The "**private-sector banks**" are **banks** where greater parts of stake or equity are held by the **private** shareholders and not by government.

## **5. Foreign Banks:**

A foreign bank with the obligation of following the regulations of both its home and its host countries. Loan limits for these banks are based on the capital of the parent bank, thus allowing foreign banks to provide more loans than other subsidiary banks.

Foreign banks are those banks, which have their head offices abroad. CITI bank, HSBC, Standard Chartered etc. are the examples of foreign bank in India. Currently India has 36 foreign banks.

## **6. Regional Rural Bank (RRB):**

The government of India set up Regional Rural Banks (RRBs) on October 2, 1975. The banks provide credit to the weaker sections of the rural areas, particularly the small and marginal farmers, agricultural labourers, and small entrepreneurs. There are 82 RRBs in the country. NABARD holds the apex position in the agricultural and rural development. List of some RRBs is given below:

## **7. Co-operative Bank:**

Co-operative bank was set up by passing a co-operative act in 1904. They are organised and managed on the principal of co-operation and mutual help. The main objective of co-operative bank is to provide rural credit.

The cooperative banks in India play an important role even today in rural co-operative financing. The enactment of Co-operative Credit Societies Act, 1904, however, gave the real impetus to the movement. The Cooperative Credit Societies Act, 1904 was amended in 1912, with a view to broad basing it to enable organisation of non-credit societies.

### **Scheduled and Non-Scheduled Banks:**

The scheduled banks are those which are enshrined in the second schedule of the RBI Act, 1934. These banks have a paid-up capital and reserves of an aggregate value of not less than Rs. 5 lakhs, they have to satisfy the RBI that their affairs are carried out in the interest of their depositors.

All commercial banks (Indian and foreign), regional rural banks, and state cooperative banks are scheduled banks. Non- scheduled banks are those which are not included in the second schedule of the RBI Act, 1934. At present these are only three such banks in the country.

### **Tax administration in India & Various taxes imposed in India**

#### ***Tax Collection Bodies:***

The three bodies which collect the **taxes in India** have clearly defined the rules on what type of taxes they are permitted to collect.

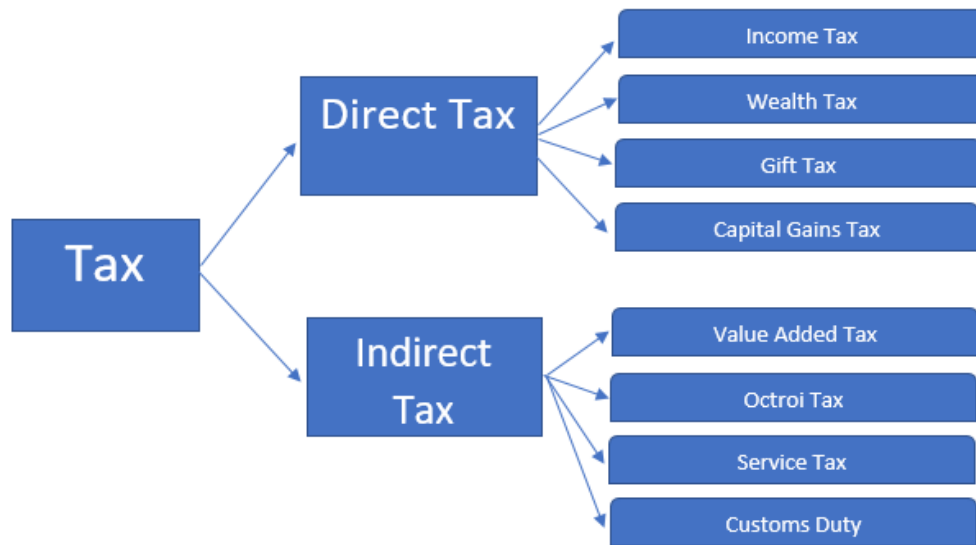
- **The Central Government:** income tax, custom duties, central excise duty.
- **The State Governments:** tax on agricultural income, professional tax, value- added tax, state excise duty, stamp duty.
- **Local Bodies:** property tax, water tax, other taxes on drainage and small services.

#### ***Other Government Bodies:***

For a smooth implementation of the **Indian tax system**, there are bodies dedicated to it. Popularly known as the revenue authorities.

- **CBDT:** The Central Board of Direct Taxes is a part of the revenue department under the Ministry of Finance. It has a two-fold role. One, it provides important ideas and inputs for planning and policy with regard to direct tax in India. Second, it assists the Income Tax department in the administration of direct taxes.
- **CBEC:** The Central Board of Excise and Customs deals with policy formulation with regard to levy and collection of customs and central excise duties and service tax.
- **CBIC:** Post GST implementation, the CBECE has been renamed as the Central Board of Indirect Taxes & Customs (CBIC). The main role of CBIC is assisting the government in policy-making matters related to GST.

The **tax system in India** allows for two types of taxes—Direct and Indirect Tax.



The **tax system in India** for long was a complex one considering the length and breadth of India. Post GST implementation, which is one of the biggest tax reforms in India, the process has become smoother. It serves as an all-inclusive indirect tax which has helped in eradicating the cascading effect of tax as a whole. It is simpler in nature and has led to upgraded the productivity of logistics.

#### Direct Tax:

Direct Tax is levied directly on individuals and corporate entities. This tax cannot be transferred or borne by anybody else. Examples of direct tax include income tax, wealth tax, gift tax, capital gains tax.

Income tax is the most popular tax within this section. Levied on individuals on the income earned with different tax slabs for income levels. The term 'individuals' includes individuals, Hindu Undivided Family (HUF), Company, firm, Co-operative Societies, Trusts.

#### Indirect Tax:

Indirect taxes are taxes which are indirectly levied on the public through goods and services. The sellers of the goods and services collect the tax which is then collected by the government bodies.

- **Value Added Tax (VAT)**– A sales tax levied on goods sold in the state. The rate depends on the government.
- **Octroi Tax**– Levied on goods which move from one state to another. The rates depend on the state governments.
- **Service Tax**– Government levies the tax on service providers.
- **Customs Duty**– It is a tax levied on anything which is imported into India from a foreign nation.

**GST:**

In India, the three government bodies collected **direct and indirect taxes** until 1 July 2017 when the Goods and Services Act (GST) was implemented. GST incorporates many of the indirect taxes levied by states and the central government. Some of the taxes GST replaced include:

- **Sales Tax**
- **Central Excise Duty**
- **Entertainment Tax**
- **Octroi**
- **Service Tax**
- **Purchase Tax**

It is a multi-stage destination-based tax. Multi-stage because it is levied on each stage of the supply chain right from purchase of raw material to the sale of the finished product to the end consumer whenever there is value addition and each transfer of ownership.

Destination-based because the final purchase is the place whose government can collect GST. If a fridge is manufactured in Delhi but sold in Mumbai, the Maharashtra government collects GST.

A major benefit is the simplification of **taxation in India** for government bodies.

GST has three components:

- **CGST**: Stands for **Central Goods and Services Act**. The central government collects this tax on an intrastate supply of goods or services.  
(Within Maharashtra)
- **SGST**: Stands for **State Goods and Services Tax**. The state government collects this tax on an intrastate supply of goods or services.  
(Within Maharashtra)
- **IGST**: Stands for **Integrated Goods and Services Tax**. The central government collects this for inter-state sale of goods or services.

**Export and import procedure**

A major distinction between domestic and international operations is the complexity of the latter. Export and import of goods is not that straight forward as buying and selling in the domestic market. Since foreign trade transactions involves movement of goods across frontiers and use of foreign exchange, a number of formalities are needed to be performed before the goods leave the boundaries of a country and enter into that of another. Following sections are devoted to a discussion of major steps that need to be undertaken for completing export and import transactions.

**Export Procedure**

The number of steps and the sequence in which these are taken vary from one export transaction to another. Steps involved in a typical export transaction are as follows.

**(i) Receipt of enquiry and sending quotations:** The prospective buyer of a product sends an enquiry to different exporters requesting them to send information regarding price, quality and terms and conditions for export of goods. Exporters can be informed of such an enquiry even by way of advertisement in the press put in by the importer. The exporter sends a reply to the enquiry in the form of a quotation— referred to as proforma invoice. The proforma invoice contains information about the price at which the exporter is ready to sell the goods and also provides information about the quality, grade, size, weight, mode of delivery, type of packing and payment terms.

**(ii) Receipt of order or indent:** In case the prospective buyer (i.e., importing firm) finds the export price and other terms and conditions acceptable, it places an order for the goods to be despatched. This order, also known as indent, contains a description of the goods ordered, prices to be paid, delivery terms, packing and marking details and delivery instructions.

**(iii) Assessing importer's creditworthiness and securing a guarantee for payments:** After receipt of the indent, the exporter makes necessary enquiry about the creditworthiness of the importer. The purpose underlying the enquiry is to assess the risks of non payment by the importer once the goods reach the import destination. To minimise such risks, most exporters demand a letter of credit from the importer. A letter of credit is a guarantee issued by the importer's bank that it will honour payment up to a certain amount of export bills to the bank of the exporter. Letter of credit is the most appropriate and secure method of payment adopted to settle international transactions

**(iv) Obtaining export licence:** Having become assured about payments, the exporting firm initiates the steps relating to compliance of export regulations. Export of goods in India is subject to custom laws which demand that the export firm must have an export licence before it proceeds with exports. Important pre-requisites for getting an export licence are as follows:

- Opening a bank account in any bank authorised by the Reserve Bank of India (RBI) and getting an account number.
- Obtaining Import Export Code (IEC) number from the Directorate General Foreign Trade (DGFT) or Regional Import Export Licensing Authority.
- Registering with appropriate export promotion council.
- Registering with Export Credit and Guarantee Corporation (ECGC) in order to safeguard against risks of non payments.

An export firm needs to have the Import Export Code (IEC) number as it needs to be filled in various export/ import documents. For obtaining the IEC number, a firm has to apply to the Director General for Foreign Trade (DGFT) with documents such as exporter/importer profile, bank receipt for requisite fee, certificate from the banker on the prescribed form, two copies of photographs attested by the banker, details of the non-resident interest and declaration about the applicant's non association with caution listed firms.

It is obligatory for every exporter to get registered with the appropriate export promotion council. Various export promotion councils such as Engineering Export Promotion Council

(EEPC) and Apparel Export Promotion Council (AEPC) have been set up by the Government of India to promote and develop exports of different categories of products. We shall discuss about export promotion councils in a later section. But it may be mentioned here that it is necessary for the exporter to become a member of the appropriate export promotion council and obtain a Registration cum Membership Certificate (RCMC) for availing benefits available to export firms from the Government.

Registration with the ECGC is necessary in order to protect overseas payments from political and commercial risks. Such a registration also helps the export firm in getting financial assistance from commercial banks and other financial institutions.

**(v) Obtaining pre-shipment finance:** Once a confirmed order and also a letter of credit have been received, the exporter approaches his banker for obtaining pre-shipment finance to undertake export production. Preshipment finance is the finance that the exporter needs for procuring raw materials and other components, processing and packing of goods and transportation of goods to the port of shipment.

**(vi) Production or procurement of goods:** Having obtained the preshipment finance from the bank, the exporter proceeds to get the goods ready as per the specifications of the importer. Either the firm itself goes in for producing the goods or else it buys from the market.

**(vii) Pre-shipment inspection:** The Government of India has initiated many steps to ensure that only good quality products are exported from the country. One such step is compulsory inspection of certain products by a competent agency as designated by the government. The government has passed Export Quality Control and Inspection Act, 1963 for this purpose. and has authorised some agencies to act as inspection agencies. If the product to be exported comes under such a category, the exporter needs to contact the Export Inspection Agency (EIA) or the other designated agency for obtaining inspection certificate. The pre-shipment inspection report is required to be submitted along with other export documents at the time of exports. Such an inspection is not compulsory in case the goods are being exported by star trading houses, trading houses, export houses, industrial units setup in export processing zones/special economic zones (EPZs/SEZs) and 100 per cent export oriented units (EOUs). We shall discuss about these special types of export firms in a later section.

**(viii) Excise clearance:** As per the Central Excise Tariff Act, excise duty is payable on the materials used in manufacturing goods. The exporter, therefore, has to apply to the concerned Excise Commissioner in the region with an invoice. If the Excise Commissioner is satisfied, he may issue the excise clearance. But in many cases the government exempts payment of excise duty or later on refunds it if the goods so manufactured are meant for exports. The idea underlying such exemption or refund is to provide an incentive to the exporters to export more and also to make the export products more competitive in the world markets. The refund of excise duty is known as duty drawback. This scheme of duty drawback is presently administered by the Directorate of Drawback under the Ministry of Finance which is responsible for fixing the rates of drawback for different products. The work relating to sanction and payment of drawback is, however, looked after by the Commissioner of Customs or Central Excise Incharge of the concerned port/ airport/land custom station from where the export of goods is considered to have taken place.

**(ix) Obtaining certificate of origin:** Some importing countries provide tariff concessions or other exemptions to the goods coming from a particular country. For availing such benefits, the importer may ask the exporter to send a certificate of origin. The certificate of origin acts as a proof that the goods have actually been manufactured in the country from where the export is taking place. This certificate can be obtained from the trade consulate located in the exporter's country.

**(x) Reservation of shipping space:** The exporting firm applies to the shipping company for provision of shipping space. It has to specify the types of goods to be exported, probable date of shipment and the port of destination. On acceptance of application for shipping, the shipping company issues a shipping order. A shipping order is an instruction to the captain of the ship that the specified goods after their customs clearance at a designated port be received on board. (

**(xi) Packing and forwarding:** The goods are then properly packed and marked with necessary details such as name and address of the importer, gross and net weight, port of shipment and destination, country of origin, etc. The exporter then makes necessary arrangement for transportation of goods to the port. On loading goods into the railway wagon, the railway authorities issue a 'railway receipt' which serves as a title to the goods. The exporter endorses the railway receipt in favour of his agent to enable him to take delivery of goods at the port of shipment.

**(xii) Insurance of goods:** The exporter then gets the goods insured with an insurance company to protect against the risks of loss or damage of the goods due to the perils of the sea during the transit.

**(xiii) Customs clearance:** The goods must be cleared from the customs before these can be loaded on the ship. For obtaining customs clearance, the exporter prepares the shipping bill. Shipping bill is the main document on the basis of which the customs office gives the permission for export. Shipping bill contains particulars of the goods being exported, the name of the vessel, the port at which goods are to be discharged, country of final destination, exporter's name and address, etc.

Five copies of the shipping bill along with the following documents are then submitted to the Customs Appraiser at the Customs House:

- Export Contract or Export Order
- Letter of Credit
- Commercial Invoice
- Certificate of Origin
- Certificate of Inspection, where necessary
- Marine Insurance Policy

After submission of these documents, the Superintendent of the concerned port trust is approached for obtaining the carting order. Carting order is the instruction to the staff at the gate of the port to permit the entry of the cargo inside the dock. After obtaining the carting order, the cargo is physically moved into the port area and stored in the appropriate shed. Since the exporter cannot make himself or herself available all the time for performing all these formalities, these tasks are entrusted to an agent — referred to as Clearing and Forwarding (C&F) agent.

**(xiv) Obtaining mates receipt:** The goods are then loaded on board the ship for which the mate or the captain of the ship issues mate's receipt to the port superintendent. A mate receipt is a receipt issued by the commanding officer of the ship when the cargo is loaded on board, and contains the information about the name of the vessel, berth, date of shipment, description of packages, marks and numbers, condition of the cargo at the time of receipt on board the ship, etc. The port superintendent, on receipt of port dues, hands over the mate's receipt to the C&F agent.

**(xv) Payment of freight and issuance of bill of lading:** The C&F agent surrenders the mates receipt to the shipping company for computation of freight. After receipt of the freight, the shipping company issues a bill of lading which serves as an evidence that the shipping company has accepted the goods for carrying to the designated destination. In the case the goods are being sent by air, this document is referred to as airway bill.

**(xvi) Preparation of invoice:** After sending the goods, an invoice of the despatched goods is prepared. The invoice states the quantity of goods sent and the amount to be paid by the importer. The C&F agent gets it duly attested by the customs.

**(xvii) Securing payment:** After the shipment of goods, the exporter informs the importer about the shipment of goods. The importer needs various documents to claim the title of goods on their arrival at his/her country and getting them customs cleared. The documents that are needed in this connection include certified copy of invoice, bill of lading, packing list, insurance policy, certificate of origin and letter of credit. The exporter sends these documents through his/her banker with the instruction that these may be delivered to the importer after acceptance of the bill of exchange — a document which is sent along with the above mentioned documents. Submission of the relevant documents to the bank for the purpose of getting the payment from the bank is called 'negotiation of the documents'.

Bill of exchange is an order to the importer to pay a certain amount of money to, or to the order of, a certain person or to the bearer of the instrument. It can be of two types: document against sight (sight draft) or document against acceptance (usance draft). In case of sight draft, the documents are handed over to the importer only against payment. The moment the importer agrees to sign the sight draft, the relevant documents are delivered. In the case of usance draft, on the other hand, the documents are delivered to the importer against his or her acceptance of the bill of exchange for making payment at the end of a specified period, say three months.

On receiving the bill of exchange, the importer releases the payment in case of sight draft or accepts the usance draft for making payment on maturity of the bill of exchange. The exporter's bank receives the payment through the importer's bank and is credited to the exporter's account.

The exporter, however, need not wait for the payment till the release of money by the importer. The exporter can get immediate payment from his/ her bank on the submission of documents by signing a letter of indemnity. By signing the letter, the exporter undertakes to indemnify the bank in the event of non-receipt of payment from the importer along with accrued interest.

Having received the payment for exports, the exporter needs to get a bank certificate of payment. Bank certificate of payment is a certificate which says that the necessary documents (including bill of exchange) relating to the particular export consignment has been negotiated (i.e., presented to the importer for payment) and the payment has been received in accordance with the exchange control regulations.

### **Import Procedure**

Import trade refers to purchase of goods from a foreign country. Import procedure differs from country to country depending upon the country's import and custom policies and other statutory requirements. The following paragraphs discuss various steps involved in a typical import transaction for bringing goods into Indian territory.

**(i) Trade enquiry:** The first thing that the importing firm has to do is to gather information about the countries and firms which export the given product. The importer can gather such information from the trade directories and/or trade associations and organisations. Having identified the countries and firms that export the product, the importing firm approaches the export firms with the help of a trade enquiry for collecting information about their export prices and terms of exports. A trade enquiry is a written request by an importing firm to the exporter for supply of information regarding the price and various terms and conditions on which the latter is ready to exports goods.

After receiving a trade enquiry, the exporter prepares a quotation and sends it to the importer. The quotation is known as proforma invoice. A proforma invoice is a document that contains details as to the quality, grade, design, size, weight and price of the export product, and the terms and conditions on which their export will take place.

### **Major Documents needed in Connection with Export Transaction**

#### **A. Documents related to goods**

*Export invoice:* Export invoice is a sellers' bill for merchandise and contains information about goods such as quantity, total value, number of packages, marks on packing, port of destination, name of ship, bill of lading number, terms of delivery and payments, etc.

*Packing list:* A packing list is a statement of the number of cases or packs and the details of the goods contained in these packs. It gives details of the nature of goods which are being exported and the form in which these are being sent. *Certificate of origin:* This is a certificate which specifies the country in which the goods are being produced. This certificate entitles the importer to claim tariff concessions or other exemptions such as non-applicability of quota restrictions on goods originating from certain pre-specified countries. This certificate is also required when there is a ban on imports of certain goods from select countries. The goods are allowed to be brought into the importing country if these are not originating from the banned countries.

*Certificate of inspection:* For ensuring quality, the government has made it compulsory for certain products that these be inspected by some authorised agency. Export Inspection Council of India (EICI) is one such agency which carries out such inspections and issues the certificate that the consignment has been inspected as required under the Export (Quality Control and Inspection) Act, 1963, and satisfies the conditions relating to quality control and inspection as

applicable to it, and is export worthy. Some countries have made this certificate mandatory for the goods being imported to their countries.

### **B. Documents related to shipment**

*Mate's receipt:* This receipt is given by the commanding officer of the ship to the exporter after the cargo is loaded on the ship. The mate's receipt indicates the name of the vessel, berth, date of shipment, description of packages, marks and numbers, condition of the cargo at the time of receipt on board the ship, etc. The shipping company does not issue the bill of lading unless it receives the mate's receipt.

*Shipping Bill:* The shipping bill is the main document on the basis of which customs office grants permission for the export. The shipping bill contains particulars of the goods being exported, the name of the vessel, the port at which goods are to be discharged, country of final destination, exporter's name and address, etc. *Bill of lading:* Bill of lading is a document wherein a shipping company gives its official receipt of the goods put on board its vessel and at the same time gives an undertaking to carry them to the port of destination. It is also a document of title to the goods and as such is freely transferable by the endorsement and delivery.

*Airway Bill:* Like a bill of lading, an airway bill is a document wherein an airline company gives its official receipt of the goods on board its aircraft and at the same time gives an undertaking to carry them to the port of destination. It is also a document of title to the goods and as such is freely transferable by the endorsement and delivery. *Marine insurance policy:* It is a certificate of insurance contract whereby the insurance company agrees in consideration of a payment called premium to indemnify the insured against loss incurred by the latter in respect of goods exposed to perils of the sea. *Cart ticket:* A cart ticket is also known as a cart chit, vehicle or gate pass. It is prepared by the exporter and includes details of the export cargo in terms of the shipper's name, number of packages, shipping bill number, port of destination and the number of the vehicle carrying the cargo.

### **C. Documents related to payment**

*Letter of credit:* A letter of credit is a guarantee issued by the importer's bank that it will honour up to a certain amount the payment of export bills to the bank of the exporter. Letter of credit is the most appropriate and secure method of payment adopted to settle international transactions

*Bill of exchange:* It is a written instrument whereby the person issuing the instrument directs the other party to pay a specified amount to a certain person or the bearer of the instrument. In the context of an export-import transaction, bill of exchange is drawn by exporter on the importer asking the latter to pay a certain amount to a certain person or the bearer of the bill of exchange. The documents giving title to the export consignment are passed on to the importer only when the importer accepts the order contained in the bill of exchange.

*Bank certificate of payment:* Bank certificate of payment is a certificate that the necessary documents (including bill of exchange) relating to the particular export consignment has been negotiated (i.e., presented to the importer for payment) and the payment has been received in accordance with the exchange control regulations.

**(ii) Procurement of import licence:** There are certain goods that can be imported freely, while others need licensing. The importer needs to consult the Export Import (EXIM) policy in force to know whether the goods that he or she wants to import are subject to import licensing. In case goods can be imported only against the licence, the importer needs to procure an import licence. In India, it is obligatory for every importer (and also for exporter) to get registered with the Directorate General Foreign Trade (DGFT) or Regional Import Export Licensing Authority, and obtain an Import Export Code (IEC) number. This number is required to be mentioned on most of the import documents.

**(iii) Obtaining foreign exchange:** Since the supplier in the context of an import transaction resides in a foreign country, he/she demands payment in a foreign currency. Payment in foreign currency involves exchange of Indian currency into foreign currency. In India, all foreign exchange transactions are regulated by the Exchange Control Department of the Reserve Bank of India (RBI). As per the rules in force, every importer is required to secure the sanction of foreign exchange. For obtaining such a sanction, the importer has to make an application to a bank authorised by RBI to issue foreign exchange. The application is made in a prescribed form along with the import licence as per the provisions of Exchange Control Act. After proper scrutiny of the application, the bank sanctions the necessary foreign exchange for the import transaction.

**(iv) Placing order or indent:** After obtaining the import licence, the importer places an import order or indent with the exporter for supply of the specified products. The import order contains information about the price, quantity size, grade and quality of goods ordered and the instructions relating to packing, shipping, ports of shipment and destination, delivery schedule, insurance and mode of payment. The import order should be carefully drafted so as to avoid any ambiguity and consequent conflict between the importer and exporter.

**(v) Obtaining letter of credit:** If the payment terms agreed between the importer and the overseas supplier is a letter of credit, then the importer should obtain the letter of credit from its bank and forward it to the overseas supplier. As stated previously, a letter of credit is a guarantee issued by the importer's bank that it will honour payment up to a certain amount of export bills to the bank of the exporter. Letter of credit is the most appropriate and secured method of payment adopted to settle international transactions. The exporter wants this document to be sure that there is no risk of non-payment.

**(vi) Arranging for finance:** The importer should make arrangements in advance to pay to the exporter on arrival of goods at the port. Advanced planning for financing imports is necessary so as to avoid huge demurrages (i.e., penalties) on the imported goods lying uncleared at the port for want of payments.

**(vii) Receipt of shipment advice:** After loading the goods on the vessel, the overseas supplier dispatches the shipment advice to the importer. A shipment advice contains information about the shipment of goods. The information provided in the shipment advice includes details such as invoice number, bill of lading/airways bill number and date, name of the vessel with date, the port of export, description of goods and quantity, and the date of sailing of vessel.

**(viii) Retirement of import documents:** Having shipped the goods, the overseas supplier prepares a set of necessary documents as per the terms of contract and letter of credit and

hands it over to his or her banker for their onward transmission and negotiation to the importer in the manner as specified in the letter of credit. The set of documents normally contains bill of exchange, commercial invoice, bill of lading/airway bill, packing list, certificate of origin, marine insurance policy, etc.

The bill of exchange accompanying the above documents is known as the documentary bill of exchange. As mentioned earlier in connection with the export procedure, documentary bill of exchange can be of two types: documents against payment (sight draft) and documents against acceptance (usance draft). In the case of sight draft, the drawer instructs the bank to hand over the relevant documents to the importer only against payment. But in the case of usance draft, the drawer instructs the bank to hand over the relevant documents to the importer against acceptance of the bill of exchange. The acceptance of bill of exchange for the purpose of getting delivery of the documents is known as retirement of import documents. Once the retirement is over, the bank hands over the import documents to the importer.

**(ix) Arrival of goods:** Goods are shipped by the overseas supplier as per the contract. The person in charge of the carrier (ship or airway) informs the officer in charge at the dock or the airport about the arrival of goods in the importing country. He provides the document called import general manifest. Import general manifest is a document that contains the details of the imported goods. It is a document on the basis of which unloading of cargo takes place.

**(x) Customs clearance and release of goods:** All the goods imported into India have to pass through customs clearance after they cross the Indian borders. Customs clearance is a somewhat tedious process and calls for completing a number of formalities. It is, therefore, advised that importers appoint C&F agents who are well versed with such formalities and play an important role in getting the goods customs cleared.

Firstly, the importer has to obtain a delivery order which is otherwise known as endorsement for delivery. Generally when the ship arrives at the port, the importer obtains the endorsement on the back of the bill of lading. This endorsement is done by the concerned shipping company. In some cases instead of endorsing the bill, the shipping company issues a delivery order. This order entitles the importer to take the delivery of goods. Of course, the importer has to first pay the freight charges (if these have not been paid by the exporter) before he or she can take possession of the goods.

The importer has to also pay dock dues and obtain port trust dues receipt. For this, the importer has to submit to the 'Landing and Shipping Dues Office' two copies of a duly filled in form — known as 'application to import'. The 'Landing and Shipping Dues Office' levies a charge for services of dock authorities which has to be borne by the importer. After payment of dock charges, the importer is given back one copy of the application as a receipt. This receipt is known as 'port trust dues receipt'. The importer then fills in a form 'bill of entry' for assessment of customs import duty. One appraiser examines the document carefully and gives the examination order. The importer procures the said document prepared by the appraiser and pays the duty, if any.

**RESERVE BANK OF INDIA:**

Reserve Bank of India (RBI) is the Central Bank of India. RBI was established on 1 April 1935 by the RBI Act 1934. Key functions of RBI are, banker's bank, the custodian of foreign reserve, controller of credit and to manage printing and supply of currency notes in the country.

Reserve Bank of India (RBI) is the central bank of the country. RBI is a statutory body. It is responsible for the printing of currency notes and managing the supply of money in the Indian economy.

Initially, the ownership of almost all the share capital was in the hands of non-government shareholders. So in order to prevent the centralisation of the shares in few hands, the **RBI was nationalised on January 1, 1949.**

**Functions of Reserve Bank**

**1. Issue of Notes** —The Reserve Bank has a monopoly for printing the currency notes in the country. It has the sole right to issue currency notes of various denominations except one rupee note (which is issued by the Ministry of Finance).

The Reserve Bank has adopted the **Minimum Reserve System** for issuing/printing the currency notes. *Since 1957, it maintains gold and foreign exchange reserves of Rs. 200 Cr. of which at least Rs. 115 cr. should be in gold and remaining in the foreign currencies.*

**2. Banker to the Government**—The second important function of the Reserve Bank is to act as the Banker, Agent and Adviser to the Government of India and states. It performs all the banking functions of the State and Central Government and it also tenders useful advice to the government on matters related to economic and monetary policy. It also manages the public debt of the government.

**3. Banker's Bank:-** The Reserve Bank performs the same functions for the other commercial banks as the other banks ordinarily perform for their customers. RBI lends money to all the commercial banks of the country.

**4. Controller of the Credit:-** The RBI undertakes the responsibility of controlling credit created by commercial banks. RBI uses two methods to control the extra flow of money in the economy. These methods are quantitative and qualitative techniques to control and regulate the credit flow in the country. **When RBI observes that the economy has sufficient money supply and it may cause an inflationary situation in the country then it squeezes the money supply through its tight monetary policy and vice versa.**

**5. Custodian of Foreign Reserves:-**For the purpose of keeping the foreign exchange rates stable, the Reserve Bank buys and sells foreign currencies and also protects the country's foreign exchange funds. RBI sells the foreign currency in the foreign exchange market when its supply decreases in the economy and vice-versa.

**6. Other Functions:-**The Reserve Bank performs a number of other developmental works. These works include the function of clearinghouse arranging credit for agriculture (which has been transferred to NABARD) collecting and publishing the economic data, buying and selling of Government securities (gilt edge, treasury bills etc)and trade bills, giving loans to the Government buying and selling of valuable commodities etc. It also acts as *the*

*representative of the Government in the International Monetary Fund (I.M.F.) and represents the membership of India.*

### **Powers of Reserve Bank of India (RBI)**

The Reserve Bank of India (RBI) regulates and supervises Public Sector And Private Sector Banks. Under the provisions of the Banking Regulation Act, 1949, it can, *inter alia*—

- i. inspect the bank and its books and accounts (section 35(1) *ibid.*);
- ii. examine on oath any director or other officer of the bank (section 35(3) *ibid.*);
- iii. cause a scrutiny to be made of the affairs of the bank (section 35(1A) *ibid.*);
- iv. give directions to secure the proper management of the bank (section 35A *ibid.*);
- v. call for any information of account details (section 27(2) *ibid.*);
- vi. determine the policy in relation to advances by the bank (section 21 *ibid.*);
- vii. direct special audit of the bank (section 30(1B) *ibid.*); and
- viii. direct the bank to initiate insolvency resolution process in respect of a default, under the provisions of Insolvency and Bankruptcy Code, 2016 (section 35AA *ibid.*).

Further, in respect of nationalised banks and the State Bank of India (SBI), under the provisions of the Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980 (“Bank Nationalisation Acts”) and the State Bank of India Act, 1955 (“SBI Act”) respectively, *inter alia*—

1. RBI’s nominee Director is a member on—
  - i. the nationalised bank’s Management Committee of the Board, which exercises the powers of the bank’s Board with regard to credit proposals above specified threshold (section 9(3)(c) of the Bank Nationalisation Acts, and paragraph 13 of the Nationalised Banks (Management and Miscellaneous Provisions) Schemes of 1970 and 1980 made by the Government under the Bank Nationalisation Acts), and
  - ii. the Executive Committee of the Central Board of SBI, which may deal with any matter within the competence of the Central Board subject to SBI General Regulations, 1955 and Central Board’s directions (sections 19(f) and 30 of SBI Act, and regulation 46 of SBI General Regulations, 1955);
  - iii. RBI approves the appointment and fixes the remuneration of the bank’s auditors (section 10 of the Bank Nationalisation Acts, and section 41 of the SBI Act); and
  - iv. RBI can appoint additional Directors on the nationalised banks’ Boards and State Bank of India’s Central Board (section 9A of the Bank Nationalisation Acts, and section 19B of the SBI Act).

In addition, whole-time Directors of nationalised banks and State Bank of India are appointed in consultation with RBI.

RBI has powers under other laws as well, which include, *inter alia*, the power under section 12 of the Foreign Exchange Management Act, 1999 to inspect for compliance with the Act and rules etc. made there under.

RBI also maintains the Central Repository of Information on Large Credits (CRILC) on aggregate fund-based and non-fund-based exposures of Rs. 5 crore and above of all banks.

Further, RBI maintains the Central Fraud Registry and banks report all frauds involving amount above Rs. 1 lakh to RBI. In addition, RBI's Master Directions on Frauds lay out guidelines on categorisation, reporting and review of frauds, along with norms for consequent provisioning.

The powers of RBI are wide-ranging and comprehensive to deal with various situations that may emerge in all banks, including public sector banks. No proposal with regard to change in RBI's powers in respect of public sector banks is presently under consideration/consultation. Improvement in regulatory functioning being an ongoing process, Government engages with stakeholders, including RBI, and discusses issues as they evolve.

### **Securities and Exchange Board of India (SEBI)**

Securities and Exchange Board of India (SEBI) is a statutory regulatory body entrusted with the responsibility to regulate the Indian capital markets. It monitors and regulates the securities market and protects the interests of the investors by enforcing certain rules and regulations.

SEBI was founded on April 12, 1992, under the SEBI Act, 1992. Headquartered in Mumbai, India, SEBI has regional offices in New Delhi, Chennai, Kolkata and Ahmedabad along with other local regional offices across prominent cities in India.

The objective of SEBI is to ensure that the Indian capital market works in a systematic manner and provide investors with a transparent environment for their investment. To put it simply, the primary reason for setting up SEBI was to prevent malpractices in the capital market of India and promote the development of the capital markets.

### **Structure of SEBI**

SEBI, just like any corporate firm has a hierarchical structure and consists of numerous departments headed by their respective heads. Following is a list of some of the departments of SEBI:

- Foreign Portfolio Investors and Custodians
- Human Resources Department
- Information Technology
- Investment Management Department
- Office of International Affairs
- Commodity and Derivative Market Regulation Department
- National Institute of Securities Market

Apart from the department heads, the senior management of SEBI consists of a Board of Directors who are appointed as follows:

- 1 chairman nominated by the Union Government of India
- 2 members from the Union Finance Ministry of India
- 1 member from the Reserve Bank of India (RBI)
- 5 members nominated by the Union Government of India

**Functions of SEBI**

The functions and powers of SEBI have been listed in the SEBI Act, 1992. SEBI caters to the needs of three parties operating in the Indian Capital Market. These three participants are mentioned below:

- **Issuers of the Securities:** Companies that issue securities are listed on the stock exchange. They issue shares to raise funds. SEBI ensures that the issuance of Initial Public Offerings (IPOs) and Follow-up Public Offers (FPOs) can take place in a healthy and transparent way.
- **Protects the Interests of Traders & Investors:** It is a fact that the capital markets are functioning just because the traders exist. SEBI is responsible for safeguarding their interests and ensuring that the investors do not become victims of any stock market fraud or manipulation.
- **Financial Intermediaries:** SEBI acts as a mediator in the stock market to ensure that all the market transactions take place in a secure and smooth manner. It monitors every activity of the financial intermediaries, such as broker, sub-broker, NBFCs, etc

**What are the Powers of SEBI**

Securities and Exchange Board of India has the following three powers:

**Quasi-Judicial:** With this authority, SEBI can conduct hearings and pass ruling judgements in cases of unethical and fraudulent trade practices. This ensures transparency, fairness, accountability and reliability in the capital market. SEBI PACL case is an example of this power.

**Quasi-Legislative:** Powers under this segment allow SEBI to draft rules and regulations for the protection of the interests of the investor. One such regulation is SEBI LODR (Listing Obligation and Disclosure Requirements). It aims at consolidating and streamlining the provisions of existing listing agreements for several segments of the financial market like equity shares. This type of regulation formulated by SEBI aims to keep any malpractice and fraudulent trading activities at bay.

**Quasi-Executive:** SEBI is authorised to file a case against anyone who violates its rules and regulation. It is empowered to inspect account books and other documents as well if it finds traces of any suspicious activity.

**Insurance Regulatory and Development Authority (IRDA):**

In order to control private sector insurance companies, the Government of India passed the IRDA Act (Insurance Regulatory and Development Authority Act, 1999) which enabled it to regulate the private sector companies in insurance business. What was the sole monopoly of the LIC is now thrown open to the private sector for covering the life and property of individuals. Now, the IRDA controls the entire insurance business in India.

**Powers of IRDA**

The following are the powers of IRDA

1. All insurance companies have to register with IRDA compulsorily.
2. Companies can undertake only insurance business.

3. The capital structure of the companies will be determined by IRDA.
4. Companies have to deposit with RBI the amount stipulated by IRDA.
5. Accounts and balance sheets of companies have to be submitted to IRDA.
6. Insurance companies have to appoint actuaries and they will value the liabilities of the insurance companies and report the same to IRDA.
7. Investment of assets will be prescribed by IRDA in the form of approved securities.
8. The nature of general insurance business will be prescribed by IRDA.
9. Statements of investment assets to be submitted to IRDA every financial year.
10. All insurance companies have to devote certain percentage of their business including insurance for crops. This should cover unorganized sector including the economically weaker sections.
11. The appointment of chief executive officer requires prior permission of the IRDA.
12. All insurance agents must obtain license from IRDA.
13. IRDA has powers for levying penalty on companies which fail to comply with the rules and regulations.

### **Composition of IRDA**

One chairperson and not more than 9 members of whom not more than 5 would be full time members and they are appointed by the government. Those who have experience in life and general insurance, actuarial service, finance, economics etc., are appointed.

### **Duties of IRDA**

#### **1. Regulates insurance companies**

The working of insurance companies will be regulated in the following aspects

- the persons to be employed,
- the nature of business,
- covering of risks,
- terms and agreements for covering risks etc., will be prescribed by IRDA.

#### **2. Promotes insurance companies**

Corporate set-up is a must for establishing an insurance company and they have to submit periodical reports to IRDA. Different kinds of policies and different types of insurance are also suggested by IRDA to these insurance companies.

#### **3. Ensures growth of insurance and reinsurance companies**

Here, the promotion of new companies is encouraged. Even banks are also permitted to promote insurance companies as a subsidiary.

### **Functions of IRDA**

1. Issuing certificate of registration.
2. protecting the interest of policy holders.
3. issuing license to agents.
4. Specifying code of conduct for surveyors and loss assessors.
5. Promoting efficiency in the insurance business.
6. Undertaking inspection, conducting enquiries etc., on insurance companies.

7. Control and regulations of rates, terms and conditions by insurance company to policy holders.
8. Adjudication of disputes between insurance company and others in the insurance business.
9. Fixing the percentage of insurance business to rural and social sectors.

**Registrar of Companies (ROC):**

The Registrar of Companies (ROC) as defined under Sub-Section 75 of Section 2 of the Companies Act, 2013, is an appointment of the Ministry of Corporate Affairs which is responsible for the regulation of Indian enterprises in Industrial and Services Sector. At present, there are 22 Registrars of Companies holding offices in the major states of India. Vested with a number of functions and equipped with a wide range of powers under the Companies Act of 1956 and Companies Act of 2013, the ROC is responsible for fostering business ethics in the current paradigm and plays a dominant role in facilitating business culture.

**Meaning and Scope of Registrar of Companies**

According to Section 2(75), the term 'Registrar' means a Registrar, an Additional Registrar, a Joint Registrar, a Deputy Registrar or an Assistant Registrar. ROCs as appointed under Section 396 of the Act primarily have the duty of registering companies incorporated in the respective States and the Union Territories. However, in addition to registration, there are the number of other responsibilities that the ROC is conferred with. The Central Government exercises administrative control over these offices through the respective Regional Directors (RD) who are in-charge of the respective regions, each region comprising a number of States and Union Territories.

**Powers of the Registrar of Companies****Powers in Relation to Registration of Companies**

Registration of a company formed under Section 3 of the Companies Act is obtained by filing an application with the ROC in whose jurisdiction the registered office of the company is situated under Section 7 of the Companies Act.

***Section 7: Incorporation of Company and Certificate of Incorporation***

The company is said to be born from the date mentioned in the certificate of incorporation and the date appearing on it is conclusive even if it is wrong. Not only does the certificate create the company, it also is *"the conclusive evidence that all requirements of this act have been complied with in respect of registration and matters precedent and incidental thereto and that the association is a company authorized to be registered and duly registered under this act"*.

In other words, the validity of the certificate cannot be disputed on any grounds whatsoever.

**Powers in Relation to Mortgage and Charges**

*Section 83: Power of Registrar to make entries of satisfaction and release without intimation from company*

By virtue of Section 83, the Registrar is allowed to make entries of satisfaction, etc, after receiving evidence that,

- The debt for which charge is given has been paid or satisfied in whole or in part; or
- That a part of the property or undertaking charged has been released from the charge or has ceased to form a part of the company's property or undertaking.

The registrar may enter in the register, a memorandum of satisfaction in whole or in part of the property or undertaking from the charge or has ceased to form a part of the company's property or undertaking even if no intimation to the effect has been received by him from the company. Within 30 days of making such entry, the registrar has to inform the affected parties.

**Powers Related to Inspection, Inquiry, and Investigation**

*Section 206: Power to call for information, inspect books and conduct inquiries*

As per the provisions of Section 206 of the Companies Act, 2013, the Registrar may require any company to furnish information or explanation or produce any document, if after scrutinizing any document or on receiving any information, he feels that such documents are necessary.

The Registrar may also inform the company of facts, seek its reply and order an inquiry if he has reason to believe that the business of the company is being carried out for a fraudulent purpose, or not in compliance with the Act, after giving the company a reasonable opportunity of being heard.

*Section 209: Search and Seizure*

The Registrar is empowered to obtain an order from the Special Court for the seizure of books and papers of the company if upon receiving information or otherwise, he has reason to believe that these books, papers of the company are likely to be altered, mutilated, falsified, secreted or destroyed. The Registrar or Inspector is further allowed to take copies and extracts of such documents.

**Power of Registrar to Remove Name from Register of Companies**

*Section 248: Dissolved Companies*

There may be a reasonable cause for the registrar to believe that:

- A company has failed to commence its business within one year of its incorporation;
  - The subscribers to the memorandum have not paid the subscription money which they had undertaken to pay within 180 days from the date of incorporation and accordingly the declaration under Section 11(1) could not be filed within 180 days;
- or

- The company is not carrying on any business for 2 immediately preceding financial years and has not applied under Section 455 for obtaining the status of a dormant company.

In such a situation, the Registrar has to send a notice to the company and all its directors telling them that he has the intention to remove the name of the company from the register. They are accordingly called upon to send their representations along with copies of relevant documents within 30 days from the date of the notice.

Such removal can also be effected on the company's own application. For this purpose, the company has first to extinguish all its liabilities. It then has to pass a special resolution or obtain the consent of 75% members in terms of the paid-up share capital. An application then has to be filed in a prescribed manner with the Registrars of Companies for removing the name of the Company on all or any of the grounds specified in sub-section (1). After receiving such an application, the Registrar needs to issue a public notice in a prescribed manner and also in the Official Gazette for the knowledge of the general public. On the expiry of time mentioned in the notice, and if not cause to the contrary is shown by that time, the registrar has to strike off the name of the Company from the register. A notice of this fact needs to be published in the Official Gazette and on the date of such publication the company becomes dissolved.

### **Functions of the ROC**

1. The ROC takes care of registration of a company (also referred to as incorporation of the company) in the country.
2. It completes regulation and reporting of companies and their shareholders and directors and also administers government reporting of several matters which includes the annual filing of numerous documents.
3. The Registrar of Companies plays an essential role in fostering and facilitating business culture.
4. Every company in the country requires the approval of the ROC to come into existence. The ROC provides incorporation certificate which is the conclusive evidence of the existence of any company. A company, once incorporated, cannot cease unless the name of the company is struck-off from the register of companies.
5. Among other functions, it is worthy to note that the Registrar of Companies could also ask for supplementary information from any company. It could search its premises and seize the books of accounts with the prior approval of the court.
6. Most importantly, the Registrar of Companies could also file a petition for winding up of a company.