

Chapter 5

Acceptance of Deposits

(Section 73 – 76A)
read with

The Companies (Acceptance of Deposits) Rules, 2014

Section 73 – Prohibition on acceptance of deposits from Public

Q1: A reserve account that shall not be used by the company for any purpose other than repayment of deposits is called
(Study Material, ICAI MCQ Booklet & MTP Nov 2023)

- (a) Debenture redemption reserve
- (b) Deposit repayment reserve
- (c) Capital redemption reserve
- (d) Free reserve

Q2: Deposit Repayment Reserve must be created for at least ____ of the deposits maturing during a financial year and the financial year next following

- (a) 10%
- (b) 15%
- (c) 20%
- (d) 25%

Q3: Bhumi Real Estate Developers Limited has accepted deposits from its members which are being paid on the maturity without any default. As a statutory obligation, the company is required to deposit in a specified account opened with its bankers, a particular amount on or before 30th April of each year till the deposits are fully repaid. Advise the company regarding the quantum of amount which must be so deposited.
(ICAI MCQ Booklet)

- (a) Not less than 50% of the amount of its deposits maturing during the following financial year.
- (b) Not less than 30% of the amount of its deposits maturing during the following financial year.
- (c) Not less than 20% of the amount of its deposits maturing during the following financial year.
- (d) Not less than 10% of the amount of its deposits maturing during the following financial year.

Q4: Suneet Spices Limited decides to raise deposits of ₹ 20.00 lacs from its members. However, it is of the opinion to secure such deposits partially by offering security worth ₹ 15.00 lacs. Which of the

following options best describe such deposits:
(ICAI MCQ Booklet, MTP May 2022, MTP Nov 2022 & MTP May 2023)

- (a) Fully secured deposits (except a small portion)
- (b) Unsecured deposits
- (c) Partially secured deposits
- (d) None of the above

Section 76 – Acceptance of deposits from Public by Eligible companies

Q5: Eligible company means a public company having

- (a) Net worth \geq ₹100 cr
- (b) Turnover \geq ₹500 cr
- (c) Both (a) and (b)
- (d) Either (a) or (b)

Q6: An eligible company, as per Section 76, which is accepting deposits within the limits specified under section 180(1)(c) may accept deposits by means of ____
(Study Material)

- (a) Ordinary resolution
- (b) Special resolution
- (c) Unanimous resolution
- (d) Special resolution & approval of Central Government

Rule 2 – Definitions

Q7: Which of them will be considered as deposits?

- (a) Money raised by issuing commercial papers
- (b) Loans from State Bank of India
- (c) Loan received from unrelated company
- (d) Amount raised from unlisted unsecured NCDs

Q8: Which of them will be considered as deposits?

- (a) Amount raised from foreign as per FEMA
- (b) Amount received from Government
- (c) Security deposit for performance of service
- (d) Trade advance for supply of goods within 400 days

Q9: Any amount received in the course of, or for the purpose of, business of the company as an advance for the supply of goods or provision of services, shall be deemed to be deposits on the expiry of _____ from the date they become due for refund.

- (a) 15 days
- (b) 30 days
- (c) 60 days
- (d) 365 days

Q10: Mr. Mudit works as an employee at ABC Private Limited with an annual salary of ₹3,00,000, as specified in his employment contract. Mr. Mudit paid to the company ₹ 3,50,000 in the nature of non-interest bearing security deposit. Giving regard to the provisions of the Companies Act, 2013, choose the correct option out of the following:

(MTP Jan 2025)

- (a) The deposit is a valid transaction since it is a non-interest-bearing security deposit provided under the terms of his employment.
- (b) The deposit violates the Companies Act, 2013, because companies cannot accept deposits from their employees.
- (c) The deposit violates the Companies Act, 2013, as the amount exceeds Mr. Mudit's annual salary.
- (d) The deposit is invalid unless approved by the company's shareholders in a general meeting.

Rule 3 - Terms & Conditions for acceptance of deposits

Q11: Where depositors so desire, deposits may be accepted in joint names not exceeding _____
(Study Material & MTP May 2021)

- (a) 2
- (b) 3
- (c) 5
- (d) 7

Q12: As per the provisions of the Companies Act, 2013 and relevant rules made thereunder, an eligible company can, in case the depositors So desire, may accept deposits in joint names not exceeding _____. A joint deposit may "Either or be accepted with or without any of the clauses, namely, "Jointly", Survivor", "First named or Survivor", "Anyone or Survivor". These clauses operate on _____

(Nov 2022)

- (a) three, maturity
- (b) two, maturity
- (c) five, accepting the deposits
- (d) five, maturity

Q13: What is the maximum tenure for which a company can accept or renew deposits from its members as well as public?

(ICAI MCQ Booklet & MTP May 2022)

- (a) 12 months
- (b) 24 months
- (c) 36 months
- (d) 48 months

Q14: Normally no deposits are payable earlier than _____ from the date of such deposits or renewal thereof

(Study Material & ICAI MCQ Booklet)

- (a) 3 months
- (b) 6 months
- (c) 12 months
- (d) 1 year

Q15: No deposits are payable earlier than _____ from the date of such deposits or renewal thereof

(MTP Nov 19)

- (a) 3 months
- (b) 6 months
- (c) 12 months
- (d) 1 year

[Note - In the previous MCQ of Study Material, ICAI has used the word "Normally" and that is why they have taken the tenure to be 6 months. Whereas in this MCQ, they have not used the word normally, so they have taken the tenure to be 3 months. This obviously has created a confusion. The author has followed the answer given by ICAI for both the questions above.]

Q16: As per the provisions of the Companies Act, 2013 and relevant rules made thereunder, an eligible company is not permitted to accept from public or renew the same deposits (whether secured or unsecured) which is repayable on demand or in less than _____ months, Further, the maximum period of acceptance of deposit cannot exceed _____ months. But, for the purpose of meeting any of its short-term requirements of funds, a company may accept or renew deposits for repayment earlier than _____ months subject to certain conditions.

(Nov 2022 & RTP May 2023)

- (a) six, thirty-six, six
- (b) three, twenty-four, three
- (c) six, sixty, six
- (d) three, sixty, six

Q17: An eligible company shall not raise deposits from its members exceeding _____ of its paid-up share capital, free reserves & securities premium

- (a) 10%
- (b) 25%

- (c) 35%
(d) 100%

(MTP May 2021)

Q18: A government company shall not raise deposits from exceeding ___ of its paid-up share capital, free reserves & securities premium

- (a) 10%
(b) 25%
(c) 35%
(d) 100%

Q19: On 30th June 2017, the liability side of Balance Sheet of X Ltd. showed balance of paid-up share capital of Rs. 65 lacs, free reserve of Rs. 10 lacs, share premium account of Rs. 20 lacs, deposits of Rs. 25 lacs, repayable in the current financial year, during the month of September 2017. In July 2017, the company was in need of some short-term funds to the tune of Rs. 20 lacs for a period of 6 months. The maximum amount which the company may hold as deposit together with existing deposits will be - (ICAI Sample MCQ)

- (a) Rs. 33.25 Lacs
(b) Rs. 11.25 lacs
(c) Rs. 95 lacs
(d) Rs. 9.5 lacs

Q20: XYZ Private Limited, has passed a resolution in general meeting to accept deposit from its members. Terms and conditions are finalized in consultation with Reserve Bank of India. Company accepted deposits of INR 30 Lakhs in year 2016. Company wants more deposits in the next quarter. Board of Directors are aware that as per the Act, they have a Ceiling limit, beyond which they cannot accept deposits. What percentage of aggregate of paid-up share capital, free Reserves and securities premium account, they cannot cross?

(ICAI Sample MCQ)

- (a) 15%
(b) 25%
(c) 35%
(d) 45%

[Note] - The author does not agree with this answer. As per him Specified Private companies can accept deposits without any limit and remaining private companies can accept deposit up to 100%.]

Rule 7 - Appointment of Trustee for depositors

Q21: A company must execute a deposit trust deed at least ___ days before issuing the circular or circular in the form of advertisement

- (a) 7
(b) 14
(c) 21
(d) 28

Q22: Deposit trustee may be removed before the expiry of his term after approval by way of

- (a) Ordinary resolution
(b) Special resolution
(c) Unanimous Board resolution
(d) NCLT approval

Rule 14 - Register of Deposits

Q23: A Limited Company is accepting deposits of various tenures from its members from time to time. The current Register of Deposits, maintained at its registered office is complete. State the minimum period for which it should mandatorily be preserved in good order.

(ICAI MCQ Booklet, MTP May 2022, MTP Nov 2022 & MTP Nov 2023)

- (a) Four years from the financial year in which the latest entry is made in the Register.
(b) Six years from the financial year in which the latest entry is made in the Register.
(c) Eight years from the financial year in which the latest entry is made in the Register.
(d) Ten years from the latest date of entry.

Rule 15 - Premature repayment of Deposits

Q24: Dream World Entertainment Limited, has accepted deposits worth ₹ 50.00 lacs from public on 1st April 2019 for a period of 24 months i.e. repayment of deposit would be made on 31st March 2021. The rate of interest payable on such deposits is 9% p.a. One of the depositors Mr. Aman requested the company on 1st June 2020 for premature repayment of his deposit of ₹ 6.00 lacs along with interest. Advise the company in the said matter.

(ICAI MCQ Booklet & Nov 2022)

- (a) The company can only make premature repayment of deposit with an intention to reduce the total amount of deposits to bring it within permissible limits. Hence, in the given case, the company cannot repay the deposit before the actual maturity.
(b) The company can prematurely repay the deposit along with interest @9% p.a. for the period of 12 months (from 1st April 2019 to 31st March 2020).
(c) The company can prematurely repay the deposit

along with interest @8% p.a. for the period of 12 months (from 1st April 2019 to 31st March 2020).

- (d) The company can prematurely repay the deposit along with interest @8% p.a. for the period of 14 months (from 1st April 2019 to 31st May 2020).

Q25: Ruchita wants to renew her deposit of ₹ 5.00 lakh maintained with Kewal Constructions Limited before the expiry of original period with a view to avail higher rate of interest. For how much extended period, Ruchita is required to renew her deposit, so that the company shall pay her higher rate on deposits?

(ICAI MCQ Booklet)

- (a) One and a half times the unexpired period of original deposit.
 (b) Double the unexpired period of original deposit.
 (c) Six months more in addition to the unexpired period of deposit.
 (d) Longer than the unexpired period of deposit.

Rule 16 - Return of Deposits

Q26: A company must file a return of deposits on or before _____ every year

- (a) 31st March
 (b) 30th April
 (c) 30th June

- (d) 30th September

Rule 17 - Penal rate of interest

Q27: Every company shall pay a penal rate of interest ____ for the overdue period in case of deposits, whether secured or unsecured, matured and claimed but remaining unpaid

(Study Material, MTP Nov 2022, MTP May 2023 & MTP Nov 2023)

- (a) 9% p.a.
 (b) 10%
 (c) 12% p.a.
 (d) 18%

Q28: MN Limited failed to repay the Public Deposits on maturity after they are claimed. The Company is required to pay penal interest at the rate of _____ for the overdue period.

(Nov 2020)

- (a) 15%
 (b) 18%
 (c) 12%
 (d) 20%

Answer Key

Q1.	(b)	Q2.	(c)	Q3.	(c)	Q4.	(b)	Q5.	(d)
Q6.	(a)	Q7.	(d)	Q8.	(d)	Q9.	(a)	Q10.	(c)
Q11.	(b)	Q12.	(a)	Q13.	(c)	Q14.	(b)	Q15.	(a)
Q16.	(a)	Q17.	(a)	Q18.	(c)	Q19.	(a)	Q20.	(c)
Q21.	(a)	Q22.	(c)	Q23.	(c)	Q24.	(d)	Q25.	(d)
Q26.	(c)	Q27.	(d)	Q28.	(b)				

Case Study Based MCQ - ICAI MCQ Booklet & MTP May 2021

Satyavaan Expert Packers and Movers Limited, a reliable and well established company, was incorporated on 20th September, 2014 with an aim to provide convenient and innovative ways of moving customers' household items, re-location of businesses and offices, shifting of vehicles, etc. in the northern region. Their services have been professionally designed to ensure maximum customers satisfaction. The company had been formed by the directors Vijay Khanna, Pranav Chaturvedi, Vansh Khurana, Roopali Datta and Shikha Kumar whose friendship had developed during their college days. By dint of hard work and their business acumen, the promoters had successfully created a niche for themselves amid cut-throat competition.

The company has a fleet of over 500 vehicles, 55 branches, professionals and technical and non-technical employees. Over a period of time, Satyavaan has become a trusted brand and prospective customers prefer to engage it whenever they want to re-locate their offices or homes since services are provided in a convenient and cost effective manner.

The authorised capital of the company is ₹ 150.00 lacs divided into 15,00,000 equity shares of ₹ 10 each. At the time of incorporation, its paid-up capital was ₹ 1,00,00,000 and there were 50 shareholders. The registered office of the company is situated in Green Park, Kanpur. With a view to provide world-class relocation and moving solutions throughout the country, the directors decided to enlarge the capital base of the company. During the mid of the current financial year, it offered remaining 5,00,000 shares to another 120 persons at a premium of ₹ 10 per share on private placement basis. Among others, Ria, a freelance software consultant and her younger sister Ruchi, a management consultant in Infratech Solutions Limited which is well-known company for its high export turnover, were also identified as the prospective subscribers. However, they requested the company to offer them only the minimum number of shares. Similar requests were also received from another twelve persons. Their requests were given due consideration by the directors. All the identified persons who were offered shares paid the required amount (including premium) as per the terms of the offer. The allotment of the shares was made much before the statutory period.

Immediately after the aforesaid allotment of shares, the company rolled out its expansion plan as envisaged earlier and utilised the funds so obtained for the requisite purpose. However, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis during the remaining part of the current financial year. For this purpose, it is proposed to increase the authorised capital from the present ₹ 150.00 lacs to ₹ 300.00 lacs.

In addition to the further allotment of shares on private placement basis, the company is also contemplating to raise deposits from the members. However, Vijay Khanna and Roopali Datta are of the opinion that the company should consider raising of deposits only in the next financial year since the funds already raised need to be properly utilized.

(A) According to the case scenario, the company allotted the shares issued on the private placement basis well before the statutory period. What is the maximum period statutorily allowed within which the allotment of the shares must be made:

- (a) Shares must be allotted within 30 days of the receipt of application money towards such shares.
- (b) Shares must be allotted within 45 days of the receipt of application money towards such shares.
- (c) Shares must be allotted within 60 days of the receipt of application money towards such shares.
- (d) Shares must be allotted within 90 days of the receipt of application money towards such shares.

(B) According to the case scenario, the company is desirous of raising deposits from its members to augment the funding requirements. In case, the company also contemplates to raise deposits from

public in addition to its members, which of the following option is applicable:

- (a) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 100 crores and a turnover of minimum ₹ 500 crores.
- (b) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 150 crores and a turnover of minimum ₹ 250 crores.
- (c) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 150 crores or a turnover of minimum ₹ 750 crores.
- (d) In order to raise deposits from public besides members, the company should have net worth of minimum ₹ 100 crores or a turnover of minimum ₹ 500 crores.

- (C) According to the above case scenario, during the mid of the current financial year, the company offered 5,00,000 shares to 120 persons at a premium of ₹ 10 per share on private placement basis. During the remaining part of the current financial year, the company is desirous of tapping more prospective investors by offering them equity shares on private placement basis. How many more such prospective shareholders can be invited by the company for investment in the capital of the company.
- (a) The company can offer equity shares maximum up to the 30 prospective shareholders in the remaining part of the current financial year.
- (b) The company can offer equity shares maximum up to the 55 prospective shareholders in the remaining part of the current financial year.
- (c) The company can offer equity shares maximum up to the 80 prospective shareholders in the remaining part of the current financial year.
- (d) The company can offer equity shares maximum up to the 130 prospective shareholders in the remaining part of the current financial year.
- (D) In the given case scenario, suppose the company has failed to allot the shares within the statutorily allowed period. In such a case, the only remedy available with the company is to refund the application money. State the time period within which the company is required to refund the application money to the subscribers if it has failed to allot the shares within the statutorily allowed period.
- (a) The application money must be refunded within sixty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
- (b) The application money must be refunded within forty-five days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
- (c) The application money must be refunded within thirty days from the expiry of statutorily period allowed within which the allotment of shares ought to have been made.
- (d) The application money must be refunded within fifteen days from the expiry of statutorily allowed period within which the allotment of shares ought to have been made.

Answer Key

A.	(c)	B.	(d)	C.	(c)	D.	(d)
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Case Study Based MCQ – Sep 2024

ABC Publications Limited accepted deposits from the public to the tune of ₹ 70 Lakh on 1st May 2021, for a period of 36 months at an interest rate of 10% per annum. The repayment would be made on 30th April, 2024. It has complied with all the statutory requirements for the acceptance of deposits by a Public Limited Company.

One of the depositors Mr. Y was in urgent need of money as his son wanted to pursue his higher education abroad. His total deposit with ABC Publications Limited was ₹10 lakh. On 1st June 2022, he sent his request to the company asking for premature repayment of his deposit along with interest.

Another depositor, Mr. U had deposited ₹ 6 lakh in his name. On 18th September 2022, he sent an application to the company to change the name on his deposit and make it a joint holding in the names of himself, his wife and two children. The company is contemplating the requests received from its depositors.

In addition to the deposits received from the public, the company had also raised funds by amount received from a Public Sector Bank, by issue of bonds and debentures and amounts against issue of commercial papers which were issued according to the guidelines issued by the Reserve Bank of India.

- (A) Advise ABC Publications Limited regarding the amount and the interest that can be repaid to Mr. Y:
- (a) The company cannot make premature repayment of the deposits.
- (b) The company can prematurely repay the deposit along with interest @ 10% for a period of 13 months (1st May 2021 to 31st May 2022)
- (c) The company can prematurely repay the deposit along with interest @ 9% for a period of 13 months (1st May 2021 to 31st May 2022)
- (d) The company can prematurely repay the deposit along with interest @ 9% for a period of 11 months (1st May 2021 to 31st March 2022)
- (B) Advise ABC Publications Limited regarding the request of Mr. U:
- (a) Mr. U cannot change his deposit to joint holding.
- (b) The deposits can be held jointly only by Mr. U and his wife.
- (c) The deposits can be held jointly by Mr. U, his wife and two children.
- (d) The deposits can be held jointly by Mr. U and any two members only.
- (C) The Banker of ABC Publications Limited wanted a list of deposits accepted by the company. Advise the company on what among the following constitute deposit:
- (a) Amount raised through bonds and debentures
- (b) Any non-interest bearing amount received and held in trust
- (c) Amount received from Public
- (d) Amount raised through the issue of commercial paper as per the Reserve Bank of India guidelines and amount raised through bonds and debentures

Answer Key

A.	(c)	B.	(d)	C.	(c)
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