

# VIDYA BHAWAN BALIKA VIDYA PITH

## शक्ति उत्थान आश्रम लखीसराय बिहार

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### FORMATION OF A COMPANY

Question 3:

What is a prospectus? Is it necessary for every company to file a prospectus?

**ANSWER:**

A prospectus is an advertisement or an invitation from a company to the general public to subscribe or purchase shares or debentures issued by the company. This invitation to purchase shares is also known as the initial public offering (IPO), through which a public company can raise the funds it requires. However, in the case of a private company, it is not necessary to file a prospectus as it is prohibited from raising funds from the public. Only a company that needs to raise funds from the general public by issuing shares or debentures is required to file a prospectus.

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Question 4:

Briefly explain the term 'Return of Allotment'.

**ANSWER:**

In the promotion stage of a company, the promoters are required to submit the name and addresses of the shareholders along with the number of shares allotted to them. The statement that contains this information is known as 'return of allotment'.

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Question 5:

At which stage in the formation of a company does it interact with SEBI?

**ANSWER:**

A company interacts with the Securities and Exchange Board of India (SEBI) at the stage of capital subscription. This is because, at this stage of formation, the company is required to raise its funds from the general public through the medium of issue of shares and debentures. To do so, the company is required to follow the rules and guidelines prescribed by SEBI in order to protect the investors' interests. Thus, it is necessary for the company to get SEBI's approval before proceeding with capital subscription.

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