24 Lecture - MGT401

Important Subjective

1. **What is a share buyback and why do companies repurchase their own shares?**
Answer: A share buyback is the process of a company buying back its own shares from the market. Companies may repurchase their own shares for a variety of reasons, such as returning capital to shareholders, improving the return on equity, or preventing hostile takeovers.

2. **What are the restrictions on the amount of shares that can be repurchased under Section 95A?**
Answer: Under Section 95A, a company can repurchase up to 20% of its total paid-up share capital and free reserves. Additionally, the company must have the necessary funds available for the buyback and cannot exceed its borrowing limits.

3. **Who can approve a share buyback under Section 95A?**
Answer: A share buyback under Section 95A must be approved by the board of directors and shareholders of the company.

4. **What are the penalties for non-compliance with the provisions of Section 95A?**
Answer: Non-compliance with the provisions of Section 95A can result in penalties for the company and its officers, including fines and imprisonment.

5. **Can a company purchase shares through private placement under Section 95A?**
Answer: No, a company cannot purchase shares through private placement under Section 95A.

6. **What is the process for a company to repurchase its own shares under Section 95A?**
Answer: The company must pass a special resolution approving the buyback, file a declaration of solvency with the Registrar of Companies, and make the necessary disclosures to shareholders and the stock exchange.

7. **What are the tax implications of a share buyback for the company and its shareholders?**
Answer: The tax implications of a share buyback can vary depending on the specific circumstances. However, in general, the buyback may be subject to capital gains tax for the company and shareholders.

8. **Can a company purchase shares from a specific shareholder under Section 95A?**
Answer: No, a company cannot purchase shares from a specific shareholder under Section 95A. The buyback must be made from the open market or **through a tender offer to all shareholders.**

9. **How long must a company wait between two share buybacks under Section 95A?**
Answer: A company must wait at least one year between two share buybacks under Section 95A.

10. **What is the difference between a share buyback and a dividend distribution**?
Answer: A share buyback involves a company purchasing its own shares from the market, while a dividend distribution involves a company paying out a portion of its profits to shareholders. A share buyback can provide a tax advantage for shareholders, while a dividend distribution is

taxed as income.