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REVISED CORPORATION CODE OF THE PHILIPPINES

I. Attributes of Corporation

Definition of Corporation – It is an artificial being created by operation of law, having the right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence.

a. It is an artificial being.

i. Implications of corporation for being an artificial being

1. The corporation cannot be held criminally liable particularly the penalty of imprisonment but it may be held liable for fines for corporate crimes. The corporate officers who approve the particular corporate crimes will be the ones to be held criminally liable.

2. As a general rule, a corporation is not entitled to moral damages because, not being a natural person, it cannot experience physical suffering or sentiments like wounded feelings, serious anxiety, mental anguish and moral shock except when a corporation has a reputation that is debased, resulting in its humiliation in the business realm such in the case of civil action for damages on the ground of libel or defamation.

3. The corporation entitled to constitutional rights enjoyed by natural persons except right against self-incrimination.

ii. **Doctrine of separate personality** means that a corporation has a personality separate and distinct from the stockholders and affiliated companies.

iii. **Limited liability rule** means that the stockholders are liable only up to the extent of their capital contribution when it comes to corporation's liabilities.

iv. **Trust fund doctrine** means that assets of the corporations are considered trust fund reserved for payment of liabilities to creditors of the corporation.
   1. Examples of application of trust fund doctrine
      a. Dividends can be declared only out of unrestricted retained earnings.
      b. Shares of stocks cannot be issued below par value except treasury shares as long as the price is reasonable because of appropriated retained earnings for treasury shares.
      c. Acquisition of shares and placing them in treasury will require appropriation or restriction of retained earnings.
      d. At the time of liquidation, creditors will be prioritized over the stockholders. Order of liquidation:
         i. Liabilities to creditors of corporation
            1. Fully secured
            2. Partially secured
            3. Unsecured with priority
            4. Unsecured without priority
         ii. Redemption value of redeemable preference shares
         iii. Liquidation value of preference shares
         iv. Book value of ordinary shares

v. **Doctrine of Piercing the veil of corporate fiction** as an exception to doctrine of separate personality

   a. **Fraud cases** – When the corporate fiction is used to commit fraud.

   b. **Alter ego cases** – When the corporation is a mere instrumentality or alter ego of the stockholders or owners.

   c. **Defeat public convenience cases** – When the corporate fiction is used to commit tax evasion or to justify a wrong or to defend a crime.

   d. **Equity cases** – In case of labor cases in order to promote social justice.

Note: Piercing the veil of corporate fiction is a judicial prerogative. It is not a substantive law right always available to the creditors of corporation.

b. **It is created either: (1) by operation of law in case of private corporation or (2) by enactment of special law in case of public corporation.**

i. The 1987 Constitution provides that only public corporations may be created by special law while all private corporations must be created by operation of general corporation law which is the Revised Corporation Code of the Philippines a.k.a. R.A. No. 11232 through filing of articles of incorporation to SEC and waiting for the latter's issuance of certificate of registration.

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ii. **Concession theory** means that a corporation owes its existence to the law and the state and the extent of its existence, powers and liberties is fixed by its charter. Thus, it only possesses properties, attributes, rights and powers provided by law or incident to its existence. Meaning, a corporation has a limited personality. It is also known as **fiat theory or government paternity theory or franchise theory.**

c. **It enjoys the right of succession because it continues to exist despite the death of the founders since the heirs or assignees of the stockholders will inherit the shares of their predecessors.**

i. **Right of succession** best describes the strong juridical personality of the corporation.

ii. Corporate Tem - A corporation shall have perpetual existence unless its articles of incorporation provides for a fixed term. Corporations with certificates of incorporation issued prior to the effectivity of the Revised Corporation Code and which continue to exist shall have perpetual existence, unless the corporation, upon a vote of its stockholders representing a majority of its outstanding capital stocks decides to remain to be a corporation with a fixed term: *Provided,* That any change in the corporate right of dissenting stockholders in accordance with the provisions of the Corporation Code. A corporation whose term has expired may apply for revival of its corporate existence, together with all the rights and privileges under its certificate of incorporation and subject to all of its duties, debts and liabilities existing prior to its revival. Upon approval by the SEC, the corporation shall be deemed revived and a certificate of revival of corporate existence shall be issued, giving it perpetual existence, unless its application for revival provides otherwise. No application for revival of certificate of incorporation of banks, banking and quasi-banking institutions, preneed, insurance and trust companies, non-stock savings and loan associations (NSSLAs), pawnshops, corporations engaged in money service business, and other financial intermediaries shall be approved by the Commission unless accompanied by a favorable recommendation of the appropriate government agency.

1. As a rule, companies that were incorporated before the effective date of the Revised Corporation Code shall now automatically have perpetual existence. By law, the change shall not require further action on the part of corporations. For documentation purposes, however, companies may amend their respective Articles of Incorporation to reflect this perpetual term. **The amendment must be supported by a vote of a majority of the Board of Directors or Trustees, and a vote of the stockholders representing a majority of the outstanding capital stock, including the non-voting shares. For non-stock corporations, the vote of a majority of the members must be secured.**

2. Understandably, some may prefer to keep their existence limited. Even if incorporated before the Revised Corporation Code, these companies should notify the SEC of the intention to retain their original term. The notice must be filed with a Directors' Certificate, stating that the corporation has elected to maintain the original corporate term as approved **by a majority vote of the Board of Directors or Trustees, and a vote of the stockholders representing a majority of the outstanding capital stock, including the non-voting shares, or a majority of the members, for non-stock corporations.** Once validated, the SEC shall issue a **Certificate of Filing Notice to Retain Specific Corporate Term.**
3. Corporations intending to limit their term must notify the SEC **on or before 23 February 2021**. Otherwise, their term is deemed perpetual.

iii. Period for renewal of corporate term of private corporation with a fixed term

1. A corporate term for a specific period may be extended or shortened by amending the articles of incorporation: Provided, That no extension may be made earlier than three (3) years prior to the original or subsequent expiry date(s) unless there are justifiable reasons for an earlier extension as may be determined by the SEC: Provided, further, That such extension of the corporate term shall take effect only on the day following the original or subsequent expiry date(s). **These acts should be approved by vote or written assent of a majority of the Board of Directors or Trustees, and a vote or written assent of the stockholders representing at least two-thirds of the outstanding capital stock of the corporation or at least two-thirds of the members.**

iv. Effect of failure to renew the corporate term of a corporation with a fixed term within the deadline for renewal

1. A corporation with a fixed term whose term has expired may apply for revival of its corporate existence, together with all the rights and privileges under its certificate of incorporation and subject to all of its duties, debts and liabilities existing prior to its revival. Upon approval by SEC, the corporation shall be deemed revived and a certificate of revival of corporate existence shall be issued, giving it perpetual existence, unless its application for revival provides otherwise.

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2. Entities allowed to file a Petition for Revival of Corporate Existence ("Petition to Revive" for brevity):

a. Generally, a corporation whose term has expired;
b. An Expired Corporation whose Certificate of Registration has been revoked for non-filing of reports, provided that it shall file the proper Petition to Lift its Revoked Status, which may be incorporated in its Petition to Revive, and must settle the corresponding penalties thereof;
c. An Expired Corporation whose Certificate of Registration has been suspended, provided that it shall file the proper Petition to Lift its Suspended Status, which may be incorporated in its Petition to Revive, and must settle the corresponding penalties thereof; or
d. An Expired Corporation whose corporate name has already been validly re-used, and is currently being used, by another existing corporation duly registered with the SEC, provided it changes its corporate name within 30 days from the issuance of its Certificate of Revival of Corporate Existence.

i. **The act of revival must be accompanied by at least a majority vote of the Board of Directors or Trustees, and a vote of at least majority of the outstanding capital stock, or the members**. Moreover, applications made by banks, banking and quasi-banking institutions, pre-need, insurance, and trust companies, non-stock savings and loan associations, pawnshops, corporations engaged in the money service business, and other financial intermediaries require a favorable recommendation from their respective regulators.
ii. If the petition is meritorious, the SEC will issue a Certificate of Revival of Corporate Existence, restoring to the corporation all its duties, debts, and liabilities that were present before revival. As earlier discussed, the corporation will enjoy a perpetual term of existence, unless the petition specifies another period.
iii. Equitably, stockholders who dissent to any of the changes in corporate term or the revival of the corporate existence must be allowed to exercise their right of appraisal, or the right to dissent and demand payment for fair value of their shares.

d. It has the powers, attributes, properties expressly authorized by law or incident to its existence.

i. Types of powers of corporation

1. **Express powers** refer to the powers expressly provided, enumerated and granted by the Revised Corporation Code or special law to a corporation

a. To purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and deal with real and personal property, securities and bonds.
b. For stock corporations, to issue and sell stocks to subscribers and treasury stock, for nonstock corporation, to admit members
c. To enter into a merger or consolidation
d. To establish pension, retirement, and other plans for the benefit of its directors, trustees, officers and employees
e. To sue and be sued
f. To make reasonable donations for public welfare, hospital, charitable, cultural, scientific, civic or similar purposes
g. To have right of succession
h. To adopt and use of corporate seal
i. To amend its articles of incorporation
j. To adopt and amend its by-laws
k. To enter into a partnership, joint venture, merger, consolidation, or any other commercial agreement with natural and juridical persons
l. In case of **domestic corporation** to give donations in aid of any political party or candidate or for purposes of partisan political activity. However, **no foreign corporation** shall give donations in aid of any political party or candidate or for purposes of partisan political activity.

m. **Power to Extend or Shorten Corporate Term**

i. A private corporation may extend or shorten its term as stated in the articles of incorporation when approved by a majority vote of the board of directors or trustees, and ratified at a meeting by the stockholders or members representing at least two-thirds (2/3) of the outstanding capital stock or of its members.
ii. In case of extension of corporate term, a dissenting stockholder may exercise the right of appraisal under the conditions provided in Corporation Code.

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n. Power to increase or Decrease Capital Stock; Incur, Create or Increase Bonded Indebtedness

i. No corporation shall increase or decrease its capital stock or incur, create or increase any bonded indebtedness unless approved by a majority vote of the board of directors and by two-thirds (2/3) of the outstanding capital stock at a stockholders' meeting duly called for the purpose.
ii. Any increase or decrease in the capital stock or the incurring, creating or increasing of any bonded indebtedness shall require prior approval of the Commission and where appropriate, of the Philippine Competition Commission. The application with the Commission shall be made within six (6) months from the date of approval of the board of directors and stockholders, which period may be extended for justifiable reasons.
iii. the Commission shall not accept for filing any certificate of increase of capital stock unless accompanied by a sworn statement of the treasurer of the corporation accompanied by a sworn statement of the treasurer of the corporation lawfully holding office at the time of the filing of the certificate, showing that at least twenty-five percent (25%) of the increase in capital stock has been subscribed and that at least twenty-five percent (25%) of the amount subscribed has been paid in actual cash to the corporation or that property, the valuation of which is equal to twenty-five percent (25%) of the subscription, has been transferred to the corporation.
iv. No decrease in capital stock shall be approved by the Commission if its effect shall prejudice the rights of corporate creditors.
v. Nonstock corporations may incur, create or increase bonded indebtedness when approved by a majority of the board of trustees and of at least two-thirds (2/3) of the members in a meeting duly called for the purpose.

o. Power to Deny Preemptive Right

i. All stockholders of a stock corporation shall enjoy preemptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the articles of incorporation or an amendment thereto: Provided, That such preemptive right shall not extend to shares issued in compliance with laws requiring stock offerings or minimum stock ownership by the public; or to shares issued in good faith with the approval of the stockholders representing two-thirds (2/3) of the outstanding capital stock in exchange for property needed for corporate purposes or in payment of previously contracted debt.

p. Power of Sale or Other Disposition of Assets.

i. Subject to the provisions of Republic Act No. 10667, otherwise known as the "Philippine Competition Act", and other related laws a corporation may, by a majority vote of its board of directors or trustees, sell, lease, exchange, mortgage, pledge, or otherwise dispose of its property and assets, upon such terms and conditions and for such consideration, which may be money, stock, bonds, or other instruments for the payment of money or other property or consideration, as its board of directors or trustees may deem expedient.
ii. A sale of all or substantially all of the corporation's properties and assets, including its goodwill, must be authorized by the vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or at least two-thirds (2/3) of the members, meeting duly called for the purpose.
iii. In nonstock corporations where there are no members with voting rights, the vote of at least a majority of the trustees in office will be sufficient authorization for the corporation to enter into any transaction authorized by this section.
iv. The determination of whether or not the sale involves all or substantially all of the corporation's properties and assets must be computed based on its net asset value, as shown in its latest financial statements. A sale or other disposition shall be deemed to cover substantially all the corporate property and assets if thereby the corporation would be rendered incapable of continuing the business or accomplishing the purpose of which it was incorporated.
v. Any dissenting stockholder may exercise the right of appraisal under the conditions provided in Revised Corporation Code.

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vi. After such authorization or approval by the stockholders or members, the board of directors or trustees may, nevertheless, in its discretion, abandon such sale, lease, exchange, mortgage, pledge, or other disposition of property and assets, subject to the rights of third parties under any contract relating thereto, without further action or approval by the stockholders or members.

vii. Nothing in this section is intended to restrict the power of any corporation, without the authorization by the stockholders or members, to sell, lease, exchange, mortgage, pledge, or otherwise dispose of any of its property and assets if the same is necessary in the usual and regular course of business of the corporation or if the proceeds of the sale or other disposition of such property and assets shall be appropriated for the conduct of its remaining business.

q. **Power to Acquire Own Shares**

i. Provided, That the corporation has unrestricted retained earnings in its books to cover the shares to be purchased or acquired, a stock corporation shall have the power to purchase or acquire its own shares for a legitimate corporate purpose or purposes, including the following cases:

1. To eliminate fractional shares arising out of stock dividends;
2. To collect or compromise an indebtedness to the corporation, arising out of unpaid subscription, in a delinquency sale, and to purchase delinquent shares sold during said sale; and
3. To pay dissenting or withdrawing stockholders entitled to payment for their shares under the provisions of this Code.

r. Power to Invest Corporate Funds in Another Corporation or Business or for Any Other Purpose

i. Subject to the provisions of this Code, a private corporation may invest its funds in any other corporation, business, or for any purpose other than the primary purpose for which it was organized, when approved by a majority of the board of directors or trustees and ratified by the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, or by at least two-thirds (2/3) of the members in the case of nonstock corporations at a meeting duly called for the purpose.

ii. Any dissenting stockholder shall have appraisal right as provided in this Code.

iii. Where the investment by the corporation is reasonably necessary to accomplish its primary purpose as stated in the articles of incorporation, the approval of the stockholders or members shall not be necessary.

s. Power to Declare Dividends

i. The board of directors of a stock corporation may declare dividends out of the unrestricted retained earnings which shall be payable in cash, property, or in stock to all stockholders on the basis of outstanding stock held by them: Provided, That any cash dividends due on delinquent stock shall be first be applied to the unpaid balance on the subscription plus costs and expenses, while stock holders until their unpaid subscription is fully paid: Provided, further, That no stock dividend shall be issued without the approval of stockholders representing at least two-thirds (2/3)of the outstanding capital stock at a regular or special meeting duly called for the purpose.

ii. Stock corporations are prohibited from retaining surplus profits in excess of one hundred percent (100%} of their paid-in capital stock, except: (a) when justified by the definite corporate expansion projects or programs approved by the board of directors; or (b) when the corporation is prohibited under any loan agreement with financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is need for special reserve for probable contingencies.

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t. **Power to Enter into Management Contract**

i. No corporation shall conclude a management contract with another corporation unless such contract is approved by the board of directors and by the stockholders owning at least the majority of the outstanding capital stock, or by at least a majority of the members in the case of a nonstock corporation, of both the managing and the managed corporation, at a meeting duly called for the purpose: **Provided, That (a) where a stockholder or stockholders representing the same interest of both the managing and the managed corporations own or control more than one-third (1/3) of the total outstanding capital stock entitled to vote of the managing corporation; or (b) where a majority if the members of the board of directors of the managing corporation also constitute a majority of the members of the board of directors of the managed corporation, then the management contract must be approved by the stockholders of the managed corporation owning at least two-thirds (2/3) of the total outstanding capital stock entitled to vote, or by at least two-thirds (2/3) of the members in the case of a nonstock corporation.**

ii. These shall apply to any contract whereby a corporation undertakes to manage or operate all or substantially all of the businesses of other corporation called services contracts, operating agreements or otherwise: Provided, however, That such service contracts or operating agreements which relate to the exploration, development exploitation or utilization of natural resources may entered into such periods as may be provided by the pertinent laws or regulations.

iii. No management contracts shall be entered into for period longer than five (5) years for any one term.

2. **Implied or necessary powers** are those inferred from or reasonably necessary for the exercise of the provided powers of the Corporation. They flow from the nature of the underlying business enterprise.
   a. To issue checks or promissory note or bill of exchange or mercantile documents
   b. To establish a local post office in case of a mining company
   c. To operate power plant in case of a cement factory company
   d. To sell, supply or manage advertising materials in case of an advertising company

3. **Incidental or inherent powers** are powers that attached to a corporation at the moment of its creation without regard to its expressed powers or particular primary purpose and may be said to necessarily arise from its being a juridical person engaged in business. They flow from the nature of the corporation as a juridical person.
   a. Right of succession
   b. Right to have corporate name
   c. Right to make by-laws for its governance
   d. Right to sue and be sued
   e. Right to acquire and hold properties for the purposes authorized by the charter

ii. **Ultra Vires Acts or Contracts** are acts committed outside the object for which a corporation is created as defined by the law of its organization and therefore beyond the express, implied and incidental powers of the corporation.

iii. Status of Ultra Vires Acts by the Corporation

1. Ultra vires acts which are illegal per se (criminal act) – Always null and void
2. Ultra vires acts for failure to comply with voting formality required by law – Generally, null and void but the declaration of nullity may be barred by estoppel in pais or estoppel by laches.
3. Ultra vires acts for being outside the primary and secondary purposes of the corporation – Voidable on the part of the other party

iv. Status of ultra vires acts or contracts by the corporate officers in behalf of the Corporation

1. Ultra vires acts which are illegal per se – Always null and void
2. Ultra vires acts which are unauthorized or when the corporate officers exceeded their authority – Unenforceable but they may become binding and enforceable against the corporation on the basis of (1) express or implied ratification by the corporation (2) doctrine of estoppel or (3) doctrine of apparent authority of the corporate officers

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e. Advantages of forming a corporation

i. Limited liability on the part of investors
ii. Strong juridical personality and continuity of existence because of right of succession
iii. Legal capacity to act as a distinct unit because of Board of Directors or Trustees
iv. Centralized management because of Board of Directors or Trustees
v. Ease in transferability of shares of stocks in case of stock corporation
vi. Ease in raising funds because of numerous investors

f. Disadvantages of forming a corporation

i. High cost of formation
ii. Little voice of stockholders in management
iii. Weakened credit rating because of limited liability feature
iv. Being subject to greater degree of governmental regulation
v. More taxes particularly indirect double taxation

II. Types of Corporation

a. As to formation and nature

i. **Public corporation** is a corporation created by special law for public purpose. Corporations created by special laws or charters shall be governed primarily by the provisions of the special law or charter creating them or applicable to them, supplemented by the provisions of the Revised Corporation Code insofar as they are applicable.

1. **Municipal corporation** is a public corporation created by special law for the governance of a particular local territory.
   a. **Example:** Local Government Units such as cities and provinces

2. **Government owned and controlled corporation** is a public corporation created by special law for public purpose but performing proprietary or commercial functions.
   a. **Examples:** GSIS, SSS, PAG-IBIG, LandBank, DBP and BSP

3. **Governing Laws to Corporation Created by Special Laws or Charters**
   a. They shall primarily governed by the provisions of the special law or charter creating them or applicable to them.
   b. They shall be supplementary governed by provisions of Revised Corporation Code, insofar as they are applicable.

ii. **Private corporation** is a corporation created by operation of law for private interest.

1. **Civil corporation** is a private corporation for profit or business.
   a. **Example:** San Miguel Corporation or Ayala Corporation

2. **Quasi-public corporation a.k.a. public utility** is a private corporation owned by private individuals but performing an essential governmental function.
   a. **Example:** Meralco; Manila Water, Maynilad, Globe, Smart or PLDT

iii. **Corporation by prescription** is a corporation created by lapse of time. It is the only corporation that obtains juridical personality even without franchise granted by state or even without filing articles of incorporation to SEC.
   1. **Example:** Roman Catholic Church

b. As to purpose

i. **Civil corporation** is a corporation created for profit.
   1. **Example:** San Miguel Corporation or Ayala Corporation

ii. **Lay corporation** is a corporation created for a purpose other than religion.
   1. **Example:** Fraternities and Sororities

iii. **Eleemosynary corporation** is a corporation created for charity.
   1. **Example:** Gawad Kalinga Inc. and Caritas Manila Inc.

iv. **Ecclesiastical or religious corporation** is a corporation created for religious purposes.

1. **Corporation sole** is one that is formed for the purpose of administering and managing as trustee, the affairs, properties and temporalities of any religious denomination, sect or church by a chief archbishop, bishop, priest, minister, rabbi, imam or other presiding elder of such religious denomination, sect or church.
   a. **Example:** Archdiocese of Manila or Imam of Quiapo

2. **Corporation aggregate or religious society** is a non-stock corporation formed by a religious society, group, diocese, synod or district of any religious denomination, sect or church after getting the approval of at least 2/3 of its members.
   a. **Example:** Iglesia ni Cristo Incorporated or Ang Dating Daan Incorporated

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3. **Conversion of Corporation Sole to Corporation Aggregate** – A corporation sole may be converted to a corporation aggregate or religious society through the amendment of its articles of incorporation. Concurrence of at least 2/3 of the members of the corporation sole (and not merely by the head of the church or trustee) is necessary for the amendment of Articles of Incorporation.

4. Governing Laws of Religious Corporation

a. Religious corporations shall be governed by Corporation Code Chapter on Religious Corporation and by the general provisions on nonstock corporations insofar as applicable.

5. **Articles of Incorporation of Corporation Sole** - In order to become a corporation sole, the chief archbishop, bishop, priest, minister, rabbi, or presiding elder of any religious denomination, sect or church must file with the Commission articles of incorporation setting forth the following:

a. That the applicant chief archbishop, bishop, priest. Minister, rabbi, or presiding elder represents the religious denomination, set or church which desires to become a corporation sole;
b. That the rules, regulations and discipline of the religious denomination, sect or church are consistent with becoming a corporation sole and do not forbid it;
c. That such chief archbishop, bishop, priest, minister, rabbi or presiding elder is charged with the administration of the temporalities and the management of the affairs, estate and properties of the religious denomination, sect or church within the territorial jurisdiction, so described succinctly in the articles of incorporation;
d. The manner by which vacancy occurring in the office of chief archbishop, bishop, priest, rabbi or presiding elder is required to be filled, according to the rules, regulations or discipline of the religious denomination, sect or church; and
e. The place where the principals office of the corporation sole is to be established and located, which place must be within the territory of the Philippines.
f. **Note:** The articles of incorporation may include any other provisions not contrary to law for the regulation of the affairs of the corporation.

6. **Submission of Articles of Incorporation of Corporation Sole**

a. The articles of the incorporation must be verified, by affidavit or affirmation of the chief archbishop, bishop, priest, minister, rabbi, presiding elder, as the case may be, and accompanied by a copy of the commission, certificate of election or letter of appointment of such chief archbishop, bishop, priest, minister, rabbi or presiding elder, as the case may be, and accompanied by a copy of the commission, certificate of election or letter of appointment of such chief archbishop, bishop, priest, minister, rabbi, or presiding elder, duly certified to be correct by any notary public.
b. From and after filing with the Commission of the said articles of incorporation, verified by affidavit or affirmation, and accompanied by the documents mentioned in the preceding paragraph, such chief archbishop, bishop, priest, minister, rabbi, or presiding elder shall become a corporation sole and all temporalities, estate and properties of the religious denomination, sect or church theretofore administered or manage as such chief archbishop, bishop, priest, minister, rabbi, or presiding elder shall be personally held in trust as a corporation sole, for the use, purpose, exclusive benefit and on behalf of the religious denomination, sect or church, including hospitals, schools, colleges, orphan asylums parsonages, and cemeteries thereof.

7. **Acquisition and Alienation of Property of Corporation Sole**

a. A corporation sole may purchase and hold real estate and personal property for each church, charitable, benevolent, or educational purposes, and may receive bequests or gifts for such purposes. Such corporation may sell or mortgage real property held by it by obtaining an order for that purpose from the Regional Trial Court of the province where the property is situated upon proof that the notice of the application for leave to sell or mortgage has been made through publication or as directed by the Court, and that it is in the interest of the corporation that leave to sell or mortgage be granted. The application for leave to sell or mortgage must be made by petition, duly verified, by the chief archbishop, bishop, priest, minister, rabbi, or presiding elder acting as corporation sole, and may be opposed by any member of the religious denomination, sect or church represented by the corporation sole: Provided, That in cases where the rules, regulations, and discipline of the religious denomination, set or church, religious society, or colder concerned represented by such corporation sole regulate the method of acquiring, holding, selling, and mortgaging real estate and personal property, such rules, regulations and discipline shall govern, and the intervention of the courts shall not be necessary.

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8. Filling of Vacancies of Corporation Sole

a. The successor in the office of any chief archbishop, bishop, priest, minister, rabbi, or presiding elder in a corporation sole shall become the corporation sole on their accession to office and shall be permitted to transact business as such upon filing a copy of their commission, certificate of election, or letters of appointment, duly certified by any notary public with the Commission.
b. During any vacancy in the office of chief archbishop, bishop, priest, minister, rabbi, or presiding elder of any donomination, sect or church incorporated as a corporate sole, the person or persons authorized by the rules, regulations or discipline of the religious denomination, sect or church represented by the corporation sole to administer the temporalities and manage the affairs, estate, and properties of the corporation sole shall exercise all the powers and authority of the corporation sole during such vacancy.

9. **Dissolution of Corporation Sole** - A corporation sole may be dissolved and its affairs settled voluntarily by submitting to the Commission a verified declaration of dissolution, setting forth:
   a. The name of the corporation;
   b. The reason of dissolution and winding up;
   c. The authorization for the dissolution of the corporation by the particular religious denomination, sect or church; and
   d. The names and addresses of the persons who are to supervise the winding up of the affairs of the corporation.
   e. **Note:** Upon approval of such declaration of dissolution by the Commission, the corporation shall cease to carry on its operations except for the purpose of winding up its affairs.

10. **Incorporation of Religious Society and Contents of Articles of Incorporation** - Unless forbidden by the competent authority, the Constitution, pertinent, rules, regulations, or discipline of the religious denomination, sect or church of which it is part, any religious society, religious order, diocese, or synod, or district organization of any religious denomination, sect or church, may, upon written consent and/or by an affirmative vote at a meeting called for the purpose of at least two-thirds (2/3) of its membership, incorporate for the administration of its temporalities or for the management of its affairs, properties, and estate by filing the management of its affairs, properties, and estate by filing with the Commission, articles of incorporation verified by the affidavit of the presiding elder, secretary, or clerk or other member of such religious society or religious denomination, sect or church, setting forth the following:
    a. That the religious society or religious order, or diocese, synod, or district organization is a religious organization of religious denomination, sect or church;
    b. That at least two-thirds (2/3) of its membership has given written consent or has voted to incorporate, at a duly convened meeting of the body;
    c. That the incorporation of the religious society or religious order, or diocese, synod, or district organization is not forbidden by competent, authority or by the Constitution, rules, regulations or discipline of the religious denomination, sect or church of which it forms part;
    d. That the religious society or religious order, or diocese, synod, or district organization desires to incorporate for the administration of its affairs, properties and estate;
    e. The place within the Philippines where the principal office of the corporation is to be established and located; and
    f. The names, nationalities, and residence addresses of the trustees, not less than five (5) no more than fifteen (15), elected by the religious society or religious order, or the diocese, synod or district organization to serve for the first year or such other period as may be prescribed by the laws of the religious society or religious order, or of the diocese, synod, or district organization.

c. As to being subject to direct attack by the state

i. **De jure corporation** is a corporation both in fact and in law. Its juridical personality is not subject to the direct attack by the state.

ii. **De facto corporation** is a corporation in fact but not in law. Its juridical personality is subject to direct attack by the state through the Solicitor General via a special civil action of quo warranto proceedings. The due incorporation of any corporation claiming in good faith to be a corporation under this Code, and its right to exercise corporate powers, shall not be inquired into collaterally in any private suit to which such corporation may be a party.

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iii. **Ostensible corporation** or **corporation by estoppel** is not actually a corporation since it does not have a charter. However, the persons pretending to be corporation will be liable as general partners for the contracts they have entered into.

1. When such ostensible corporation is sued on any transaction entered by it as a corporation or on any tort committed by it as such, it shall not be allowed to use as defense its lack of corporate personality.

2. When persons entered into a contract or obligation with ostensible corporation as such, such persons cannot resist performance of the obligation on the ground that there was in fact no corporation.

d. **As to nationality** - **Doctrine of Incorporation** means that the nationality of the corporation is determined by the place of its incorporation or the law that created such corporation.

i. **Domestic corporation** is a corporation created by Philippine Law particularly R.A. No. 11232. Domestic corporation is no longer required to obtain license from SEC to engage in business in the Philippines. It may sue and be sued in Philippine courts.

ii. **Foreign Corporation** is one formed, organized or existing under laws other than those of the Philippines' and whose laws allow Filipino citizens and corporations to do business in its own country or State. It shall have the right to transact business in the Philippines after obtaining a license for that purpose in accordance with this Code and certificate of authority from the appropriate government agency. It must appoint a resident agent in the Philippines before it may be given of license by SEC to engage in business in the Philippines.

1. Right to sue of foreign corporation not doing business in the Philippines before Philippine Courts
   a. It may sue and be sued in Philippine courts for isolated transactions it entered into within Philippine territory.
   b. It may sue in Philippine courts for violation of its intellectual property rights.

2. Right to sue or personality to be sued of a foreign corporation doing business in the Philippines with license
   a. It may sue and be sued in Philippine courts.

3. Effects if a foreign corporation is doing busiess in the Philippines without license
   a. Foreign corporation doing business in the Philippines without license may be sued or proceeded against before the Philippin courts or administrative tribunals on any valid cause of action recognized under Philippine laws.
   b. Generally, no foreign corporation transacting business in the Philippines without a license, or its successor or assigns, shall be permitted to maintain or intervene in any action, suit or proceeding in any court or administrative agency of the Philippines.
      i. Exceptions
         1. In case of counter-claim filed by such corporation
         2. In case of estoppel on the part of the other party

4. **Application of License of a Foreign Corporation** - A foreign corporation applying for a license to transact business in the Philippines shall submit to the Commission a copy of its articles of incorporation and bylaws, certified in accordance with law, and their translation to an official language of the Philippines, if necessary. The application shall be under oath and, unless already stated in its articles of incorporation, shall specifically set forth the following:
   a. The date and term of incorporation;
   b. The address including the street number, of the principal office of the corporation in the country or State of incorporation;
   c. The name and address of its resident agent authorized to accept summons and process in all legal proceedings and all notices affecting the corporation, pending the establishment of a local office;
   d. The place in the Philippines where the corporation intends to operate;
   e. The specific purpose or purposes which the corporation intends to pursue in the transaction of its business in the Philippines: Provided, That said purpose or purposes are those specifically stated in the certificate of authority issued by the appropriate government agency;
   f. The names and addresses of the present directors and officers of the corporation;
   g. A statement of its authorized capital stock and the aggregate number of shares which the corporation has authority to issue, itemized by class, par value of shares, shares without par value, and series, if any;
   h. A statement of its outstanding capital stock and the aggregate number of shares which the corporation has issued, itemized by class, par value of shares, shares without par value, and series, if any;
   i. A statement of the amount actually paid in; and
   j. Such additional information as may be necessary or appropriate in order to enable the Commission to determine whether such corporation is entitled to a license to transact business in the Philippines, and determine and assess the fees payable.

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5. Attachments to Application of License

a. Attached to the application for license shall be a certificate under oath duly executed by the authorized official or officials of the jurisdiction of its incorporation, attesting to the fact the laws of the country or State of the applicant allow Filipino citizens and corporations to do business therein, and that the applicant is an existing corporation in good standing. If the certificate is in a foreign language, a translation thereof in English under oath of the translator shall be attached to the application.
b. The application for a license to transact business in the Philippines shall likewise be accompanied by a statement under oath of the president or any other person authorized by the corporation, showing to the satisfaction of the Commission and when appropriate, other governmental agencies that the applicant is solvent and in sound financial condition, setting forth the assets and liabilities of the corporation as of the date not exceeding one (1) year immediately prior to the filing of the application.
c. Foreign banking, financial, and insurance corporations shall, in addition to the above requirements, comply with the provisions of existing laws applicable to them. In the case of all other foreign corporations, no application for license to transact business in the Philippines shall be accepted by the Commission without previous authority from the appropriate government agency, whether required by law.

6. Resident Agent of Foreign Corporation

a. A resident agent may be either an individual residing in the Philippines or a domestic corporation lawfully transacting business in the Philippines: Provided, That an individual resident agent must be of good moral character and of sound financial standing: Provided, further, That in case of a domestic corporation who will act as a resident agent, it must be likewise be of sound financial standing and must show proof that it is in good standing as certified by the Commission.

7. Service of Process to Foreign Corporation

a. As a condition to the issuance of the license for a foreign corporation to transact business in the Philippines, such corporation shall file with he Commission a written power of attorney designating a person who must be a resident of the Philippines, on whom summons and other legal processes may be served in all actions or other legal processes may be served in all actions or legal proceedings against such corporation, and consenting that service upon such resident agent shall be admitted and held as valid if served upon the duly authorized officers of foreign corporation shall likewise execute and file with the Commission an agreement or stipulation, executed by the proper authorities of said corporation, in form and substance as follows:
b. "The (name of foreign corporation) hereby stipulates and agrees, in consideration of being granted a license to transact business in the Philippines, that if the corporation shall cease to transact business in the Philippines, or shall be without any resident agent in the Philippines on whom any summons or other legal process may be served, then service of any summons or other legal process may be made upon the Commission in any action or proceeding arising out of any business or transaction which occurred in the Philippines and such service shall have the same force and effect as if made upon the duly authorized officers of the corporation at its home office.
c. Whenever such service of summons or other process is made upon the Commission, the Commission shall, within ten (10) days thereafter, transmit by mail a copy of such summons or other legal process to the corporation at its home or principal office. The sending of such copy by the Commission shall be necessary part of and shall complete such service. All expenses incurred by the Commission for such service shall be paid in advance by the party at whose instance the service is made.
d. It shall be the duty of the resident agent to immediately notify the Commission in writing of any change in the resident agent's address.

8. Applicable Laws to Foreign Corporation

a. A foreign corporation lawfully doing business in the Philippines shall be bound by all laws, rules and regulations applicable to domestic corporations of the same class, except those which provide for the creation, formation, organization or dissolution of corporations or those which fix the relations, liabilities, responsibilities, or duties of stockholders, members or officers of corporations to each other or to the corporation.

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9. Amendments to Articles of Incorporation or Bylaws of Foreign Corporations

a. Whenever the article of incorporation or bylaws of a foreign corporation authorized to transact business in the Philippines are amended, such foreign corporation shall, within sixty (60) days after the amendment becomes effective, file with the Commission, and in proper cases, with the appropriate government agency, a duly authenticated copy of the amendment articles of incorporation or bylaws, indicating clearly in capital letters or underscoring the change or changes made, duly certified by the authorized official or officials of the country or State of incorporation. Such filing shall not in itself enlarge or alter the purpose or purposes for which such corporation is authorized to transact business in the Philippines.

10. Amended License of Foreign Corporation

a. A foreign corporation authorized to transact business in the Philippines shall obtain an amended license in the event it changes its corporate name, or desires to pursue other or additional purposes in the Philippines, by submitting an application with the Commission, favorably endorsed by the appropriate government agency in the proper cases.

11. Merger or Consolidation Involving a Foreign Corporation Licensed in the Philippines

a. One or more foreign corporations authorized to transact business in the Philippines may merge or consolidate with any domestic corporation or corporations if permitted under Philippine laws and by the law of its incorporation: Provided, That the requirements on merger or consolidation as provided in this Code are followed.
b. Whenever a foreign corporation authorized to transact business in the Philippines shall be a party to merger or consolidation in its home country or State as permitted by the law authorizing its incorporation, such foreign corporation shall, within sixty (60) days after the effectivity of such merger or consolidation, file with the Commission, and in proper cases, with the appropriate government agency, a copy of the articles of merger or consolidation was effected: Provided, however, That if the abosrbed corporation is the foreign corporation doing business in the Philippines, the latter shall at the same time file a petition for withdrawal of its license in accordance with this Title.

12. **Revocation of License of Foreign Corporation** - Without prejudice to other grounds provided under special laws, the license of a foreign corporation to transact business in the Philippines may be revoked or suspended by the Commission upon any of the following grounds:
    a. Failure to file its annual report or pay any fees as required by this Code;
    b. Failure to appoint and maintain a resident agent in the Philippines as required by this Title;
    c. Failure, after change of its resident agent or address, to submit to the Commission a statement of such change as required by this Title;
    d. Failure to submit to the Commission an authenticated copy of any amendment to its articles of incorporation or bylaws or of any articles of merger or consolidation within the time prescribed by this Title;
    e. A misrepresentation of any material mater in any application, report, affidavit or other document submitted by such corporation pursuant to this Title;
    f. Failure to pay any and all taxes, imposts, assessments or penalties, if any, lawfully due to the Philippine Government or any of its agencies or political subdivisions;
    g. Transacting business in the Philippines outside of the purpose or purposes for which such corporation is authorized under its license;
    h. Transacting business in the Philippines as agent of or acting on behalf of any foreign corporation or entity not duly licensed to do business in the Philippine; or
    i. Any other ground as would render it unfit to transact business in the Philippines.

13. Issuance of Certificate of Revocation.

a. Upon the revocation of the license to transact business in the Philippines, the Commission shall issue a corresponding certificate of revocation, furnishing a copy thereof to the appropriate government agency in the proper cases. The Commission shall also mail the notice and copy of the certificate of revocation to the corporation, at its registered office in the Philippines.

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14. **Withdrawal of Foreign Corporations.** - Subject to existing laws and regulations, a foreign corporation licensed to transact business in the Philippines may be allowed to withdraw from the Philippines by filing a petition for withdrawal of license. No certificate of withdrawal shall be issued by the Commission unless all the following requirements are met:
    a. All claims which have accrued in the Philippines have been paid, compromised or settled;
    b. All taxes, imposts, assessments, and penalties, if any, agencies or political subdivisions, have been paid; and
    c. The petition of withdrawal of license has been published once a week for three (3) consecutive weeks in a newspaper of general circulation in the Philippines.

e. As to control or ownership

i. **Holding or parent corporation** is a corporation that controls another corporation.

ii. **Subsidiary corporation** is a corporation being controlled by another corporation.

iii. **Affiliate** is a corporation which is a member of a group of companies.

iv. **Associate** is a corporation being significantly influenced by an investor.

f. As to presence of stocks and distribution of dividends

i. **Stock corporation** is a corporation which has capital stock divided into shares and are authorized to distribute to the holders of such shares, dividends, or allotments of the surplus profits on the basis of the shares held.

ii. **Nonstock corporation** is a corporation which has no shares of stocks and is not authorized to declare dividends. By residual definition, any corporation which is not classified as stock corporation shall be considered as nonstock corporation.

1. Mode of conversion of nonstock corporation to stock corporation
    a. By dissolving the nonstock corporation and forming a new stock corporation.

2. Modes of conversion of stock corporation to nonstock corporation
    a. By mere amendment of articles of incorporation; or
    b. By dissolving the stock corporation and forming a new nonstock corporation.

iii. Transferability of membership in a nonstock corporation

1. Membership in a non-stock corporation and all rights arising therefrom are personal and non-transferable, unless the articles of incorporation or the by-laws otherwise provide.

iv. Revocation of membership in a nonstock corporation

1. Membership shall be terminated in the manner and for the causes provided in the articles of incorporation or the by-laws. Termination of membership shall have the effect of extinguishing all rights of a member in the corporation or in its property, unless otherwise provided in the articles of incorporation or the by-laws.

v. Purposes of Nonstock Corporation

1. Nonstock corporations may be formed or organized for charitable, religious, educational, professional, cultural, fraternal, literary, scientific, social, civic service, or similar purposes. like trade industry, agricultural and like chambers, or any combination thereof, subject to the special provisions of this Title governing particular classes of nonstock corporations.

vi. **Right to Vote in a Nonstock Corporation**

1. The right of the members of any class or classes to vote may be limited, broadened, or denied to the extent specified in the articles of incorporation or the bylaws. Unless so limited, broadened, or denied, each member, regardless of class, shall be entitled to one (1) vote.
2. Unless otherwise provided in the articles of incorporation or the bylaws, a member may vote by proxy, in accordance with the provisions of this Code. The bylaws may likewise authorize voting through remote communication and/or in absentia.

vii. **Trustees and Officers of Nonstock Corporation**

1. Election and Term of Trustees. - The number of trustees shall be fixed in the articles of incorporation or bylaw which may or may not be more than fifteen (15). They shall hold office for not more than three (3) years until their successors are elected and qualified. Trustees elected to fill vacancies occurring before the expiration of a particular term shall hold office for the unexpired period.
2. Unless otherwise provided in the articles of incorporation or the bylaws, the members may directly elect officers of a nonstock corporation.

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viii. **List of Members and Proxies and Place of Meetings of Nonstock Corporation**

1. The corporation shall, at all times, keep a list of its members and their proxies of record twenty (20) days prior to any scheduled election. The bylaws may provide that the members of a nonstock corporation may hold their regular or special meetings at any place even outside the place where the principal office of the corporation is located: Provided, That proper notice is sent to all members indicating the date, time, and place of meeting: Provided, further, That the place of meeting shall be within the Philippine territory.

g. **Educational Corporation**

i. **Incorporation**

1. Education corporations shall be governed by special laws and by the general provisions of this Code.

ii. **Trustees of Nonstock Nonprofit Educational Institutions**

1. Trustees of educational institutions organized as nonstock corporations shall not be less than five (5) nor more than fifteen (15): Provided, That the number of trustees shall be in multiples of five (5).
2. Unless otherwise provided in the articles of incorporation or bylaws, the board of trustees of incorporated schools, colleges, or other institutions of learning shall, as soon as organized, so classify themselves that the term of office of one-fifth (1/5) of their number shall expire every year. Trustees thereafter elected to fill vacancies, occurring before the expiration of a particular term shall hold office only for the unexpired period. Trustees elected thereafter to fill vacancies caused by expiration of term shall hold office for five (5) years.

iii. **Quorum of Board of Trustees of Nonstock Nonprofit Educational Institutions**

1. A majority of the trustees shall constitute a quorum for the transaction of business.

iv. **Powers and Authority of Board of Trustees of Nonstock Nonprofit Educational Institutions**

1. The powers and authority of trustees shall be defined in the bylaws.

v. **Board of Directors of Stock Educational Institutions**

1. For educational institutions organized as stock corporations, the number and term of directors shall be governed by the provisions on stock corporations.

III. Types of shares in a corporation - The classification of shares, their corresponding rights, privileges, restrictions, and their stated par value, if any, must be indicated in the articles of incorporations.

a. As to rights

i. **Common stocks or ordinary shares** are those shares of stocks with complete voting rights. They must be present in every stock corporation. They may be issued as par value shares or no-par value shares. They can be denied of right to vote in election of Board of Directors if there are founders' shares but for a maximum period of 5 years only.

ii. **Preferred stocks or preference shares** are those shares of stocks with special privilege in dividend distribution or liquidation. They must be issued with stated par value. If silent, preferred stocks are noncumulative, nonparticipating and preferred as to net income or dividends.

1. **Cumulative Preferred Stocks** entitle the owner thereof to payment not only of current dividends but also back dividends not previously paid whether or not during the past year's dividends were declared or paid.
2. **Noncumulative Preferred Stocks** grant the holders of such shares only to the payment of current dividends but not back dividends when and if dividends are paid to the extent agreed upon before any other stockholders are paid the same.
3. **Participating Preferred Stocks** entitle the shareholders to participate with the common shares in excess distribution at some predetermined or at a fixed ratio as may be determined.
4. **Nonparticipating Preferred Stocks** entitle the shareholder thereof to receive the stipulated preferred dividends and no more.

iii. **Redeemable preference shares** are shares which may be purchased by the corporation from the holders of such shares upon the expiration of a fixed period, regardless of the existence of unrestricted retained earnings in the books of the corporation, and upon such other terms and conditions stated in the articles of incorporation and the certificate of stock representing the shares, subject to rules and regulations issued by the Securities and Exchange Commission. Redeemable shares may be issued by the corporation when expressly provided in the articles of incorporation.

iv. **Convertible preference shares** are those that are changeable by the stockholder from one class to another at a certain price and within a certain period.

v. **Treasury shares** are shares of stock which have been issued and fully paid for, but subsequently reacquired by the issuing corporation through purchase, redemption, donation, or some other lawful means. They have no voting rights whatsoever and may be issued even below par value so long as the price is reasonable. They may be reacquired only by the issuing corporation if there is unrestricted retained earnings in order not to violate the concept of Trust Fund Doctrine.

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b. As to voting

i. **Voting shares** are those which have complete voting rights. They are the common stocks.

ii. **Nonvoting shares** are those classified as such in the Articles of Incorporation and shall have limited voting rights. They are the preferred stocks.

1. **Corporate acts when nonvoting preferred shares may still vote (I-I-I-AM-SAD)**

a. **I**ncurring, creating or increasing bond indebtedness (Maj. of BOD) and (2/3 of OCS)
b. **I**nvestments of corporate funds in another corporation or another business purpose other than primary and secondary purposes (Maj. of BOD) and (2/3 of OCS)
c. **I**ncrease or decrease of capital stock (Maj. of BOD) and (2/3 of OCS)
d. **A**mendment of Articles of Incorporation including changing the corporate term (Maj. of BOD) and (2/3 of OCS)
e. **M**erger or consolidation of two or more corporations (Maj. of BOD) and (2/3 of OCS)
f. **S**ale or disposition or pledge or mortgage of all or substantially all of corporate property (Maj. of BOD) and (2/3 of OCS)
g. **A**doption and amendment of by-laws (Maj. of BOD) and (Maj. of OCS)
h. **D**issolution, rehabilitation or liquidation of the corporation (Creditors are affected) (TA<TL) (Maj. of BOD) and (2/3 of OCS)
i. **D**issolution of the corporation (Creditors are not affected) (TA>TL) = (Maj. of BoD) and (Maj. of OCS)

2. **Corporate acts when nonvoting preferred shares are not allowed to vote (GRRAADE)**

a. **G**ranting of compensation to directors (Maj. of Outstanding Common Stocks excluding the directors concerned)
b. **R**emoval of directors (2/3 of Outstanding Common Stocks)
c. **R**atification of disloyalty of directors or voidable contract involving self-dealing director or voidable contract between corporations with interlocking director (2/3 of Outstanding Common Stocks)
d. **A**pproval of management contract without Interlocking Directors (Majority of BOD and Majority of Outstanding Common Stocks of Managing Corporation) and (Majority of BOD and Majority of Outstanding Common Stocks of Managed Corporation)
e. **A**pproval of management contract with Interlocking Director (Majority of BOD and Majority of Outstanding Common Stocks of Managing Corporation) and (Majority of BOD and 2/3 of Outstanding Common Stocks of Managed Corporation)
f. **D**istribution of stock dividends (Majority of Quorum of BOD) and (2/3 of Outstanding Common Stocks)
g. **E**lection of directors (Plurality votes of Common Stockholders)

c. Presence of par value

i. Par value shares are those shares with face value stated in the certificate of stock.

1. **Minimum or maximum par value** – There is neither minimum par value nor maximum par value.

2. **Minimum issue price of par value shares** – The minimum issue price of par value shares is the par value because shares as a general rule shall not be issued below par except treasury shares which may be issued below par as long as the price is reasonable.

3. **Legal capital in case of par value shares** – The total par value of shares issued and subscribed excluding the share premium in excess of par.

ii. No par value shares are those shares without face value in the certificate of stock but must have issued value. Only **common stocks** may be classified as no par value shares. **No par value shares** shall be deemed fully paid and nonassessable and the holder of such shares shall not be liable to the corporation or to its creditors in respect thereto.

1. **Minimum stated value** – None as long as the minimum issue price is P5

2. **Minimum issue price of no-par value shares** – P5

3. **Legal capital in case of no-par value shares** – The total consideration received.

4. **How to fix the issued price of no-par value shares?**
a. It may be fixed in the articles of incorporation;
b. It may be fixed by the board of directors pursuant to authority conferred by the articles of incorporation or the bylaws; or
c. It may be fixed by the stockholders representing at least a majority of the outstanding capital stock at a meeting duly called for the purpose.

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iii. **Legal Capital** is the portion of Stockholders' Equity that cannot be distributed to the shareholders during the lifetime of the corporation.

iv. **Corporations that cannot issue no-par value shares (BLT-BPI-PO) (Always with par value shares)**
1. **B**uilding and **L**oans Association
2. **T**rust Company
3. **B**anks
4. **P**ublic utility
5. **I**nsurance company
6. **P**reneed company
7. **O**ther corporations authorized to obtain or access funds from the public whether publicly listed or not

d. Other types of shares

i. **Founders' shares** are those shares issued to founders of the corporation and may be given special privilege such as exclusively right to be elected in the Board of Directors. However, such special privilege given to founders' shares shall not exceed 5 years from the date of incorporation. Provided, That such exclusive right shall not be allowed if its exercise will violate Commonwealth Act No. 108, otherwise known as the "Anti-Dummy Law"; Republic Act No. 7042, otherwise known as the "Foreign Investments Act of 1991"; and otherwise known as "Foreign Investments Act of 1991"; and other pertinent laws.
ii. **Promoters' shares** are those shares issued to the promoters of the corporation.
iii. **Escrow shares** are those shares the issuance of which is subject to a suspensive condition. Escrow shares are not allowed to be voted or to vote before the fulfillment of suspensive condition.
iv. **Watered shares** are those shares issued for a price below par resulting to overstatement of capital, overstatement of assets or understatement of liability. It violates trust fund doctrine.
v. **Secret reserves** are those shares issued that will result to understatement of capital, understatement of assets or overstatement of liability.
vi. **Outstanding Capital Stock Defined.** - The term "outstanding capital stock", as used in this Code, shall mean the total shares of stock issued under binding subscription contracts to subscribers or stockholders, whether fully or partially paid, except treasury shares.

e. **Note: The classification of shares, their corresponding rights, privileges, restrictions, and their stated par value, if any, must be indicated in the articles of incorporations.**

IV. Formation of Private Stock Corporation or Incorporation refers to the performance of conditions, acts, deeds, and writings by incorporators, and the official acts, certification or records, which give the corporation its existence. Filing of articles of incorporation and applications for amendments thereto with SEC in the form of electronic document is now allowed subject to the rules and regulations to be issued by SEC.

a. Conditions precedent for acquiring juridical personality

i. Procedures for Registration, Incorporation and Commencement of Corporate Existence

1. Reservation of Corporate Name

a. A person or group of persons desiring to incorporate shall submit the intended corporate name to the SEC for verification. If the SEC finds that the name is distinguishable from a name already reserved or registered for the use of another corporation, not protected by law and is not contrary to law, rules and regulation, the name shall be reserved in favor of the incorporators.

2. **Submission of Articles of Incorporation and By-Laws by Incorporators to SEC**

3. **Issuance by SEC of Certificate of Registration**

a. If the SEC finds that the submitted documents and information are fully compliant with the requirements of this Code, other relevant laws, rules and regulations, the SEC shall issue the certificate of incorporation.

ii. Submission of Articles of Incorporation to SEC

1. **Articles of Incorporation** refers to the document that defines the charter of relationships between the State and the corporation, the stockholder and the State, and between the corporation and its stockholders. It is submitted by the incorporators of a proposed corporation to SEC in order to obtain the Certificate of Registration. It is more important than the By-Laws.

2. **Form of Articles of Incorporation and its amendments**

a. It must be in any of the official languages, duly signed and acknowledged or authenticated, in such form and manner as may be allowed by the SEC.

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b. **Note:** The Articles of incorporation and applications for amendments thereto may be filed with the Commission in the form of an electronic document, in accordance with the Commission's rule and regulations on electronic filing.

3. **Qualifications of Incorporators of Proposed Private Corporation**

a. Any person, partnership, association or corporation, singly or jointly but not more than fifteen (15) in number may become incorporators. *Provided,* That natural persons who are licensed to practice a profession (CPAs or Lawyers), and partnerships or associations organized for the purpose of practicing a profession (Audit Firms and Law Firms), shall not be allowed to organize as a corporation unless otherwise provided under special laws.
b. Incorporators who are natural persons must be of legal age.
c. In stock corporations, each must own or be a subscriber of at least one share of the capital stock, while in nonstock corporations, members are not owners of shares of stocks, and their membership depends on terms provided in the articles of incorporation.
d. Compliance with the required minimum ownership of Filipino or maximum ownership of foreigners in industries reserved to Filipinos

i. Nationality requirement in certain industry reserved for Filipinos

1. **Mass Media** – 100% reserved to Filipinos
2. **Advertising** – 70% reserved to Filipinos
3. **Public Utility** – 60% reserved to Filipinos
4. **Educational Institution** – 60% reserved to Filipinos
5. **Exploration, evaluation and development of natural resources** – 60% reserved to Filipinos
6. **Ownership of land** – 60% of the stockholders of the Corporation must be Filipinos

4. **Contents of Articles of Incorporation and Bylaws**

Matters Usually Found in the Articles of Incorporation	**Matters Usually Found in the By-Laws under Section 47**	**Other Matters that May be Included in the By-laws**	**Matters that may be found in Either Articles of Incorporation or By-Laws**	**Matters that cannot be provided for in the By-Laws and must be provided in the articles of incorporation**
1. Name of the corporation	1. Time, place and manger of calling and conducting regular and special meetings of directors, trustees, places for meetings of directors or trustees may be outside the Philippines if it so provided in the by-laws.	1. Designation of time when voting rights may be exercised by stockholders of record. (24)	1. Providing for cumulative voting in nonstock corporations. (24)	1. Classification of shares of stock and preferences granted to preferred shares. (6)
2. Purpose clause including primary and secondary purpose which may be unrelated but that in case of nonstock corporation, it shall not include a purpose that would contradict its nature	2. Time and manner of calling and conducting regular and special meetings of the stockholders or members.	2. Providing for additional officers for the corporation. (25)	2. Providing for higher quorum requirement for a valid board meeting. (25)	2. Provisions on founder's shares. (7)
3. Place of principal office within the Philippines	3. Required quorum in meetings of stockholders and the manner of voting.	3. Provisions for the compensation of directors. (30)	3. Limiting, broadening or denial of the right to vote, including voting by proxy for members in nonstock corporations. (29)	3. Providing for redeemable shares. (8)
4. Term of existence if the corporation has not elected perpetual existence	4. Form for proxies of stockholders and members and manner of voting.	4. Creation of an executive committee. (35)	4. Transferability of membership in a nonstock corporation. (90)	4. Provisions on the purposes of the corporation. (14, 15, 36(11) and 45)
5. Names, nationalities and residences of incorporators	5. Qualifications, duties and compensation of directors, trustees, officers and employees.	5. Date of the annual meeting or provisions of special meetings of the stockholders or members. (50 and	5. Termination of membership in nonstock corporations. (91)	5. Providing for the corporate term of existence. (13 and 14)

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		53)		
6. Number of directors (not more than 15) or trustees (may be more than 15)	6. Time for holding annual election of directors or trustees, mode and manner of giving notice thereto.	6. Quorum on meeting of stockholders or members. (52)	6. Manner of election and term of office of trustees and officers in nonstock corporation. (92)	6. Capitalization of stock corporations. (14 and 18)
7. Names, nationalities and residences of temporary directors or trustees until the election	7. Manner of election or appointment and the term of office of all officers except directors and trustee.	7. Providing for the presiding officer at meetings of the directors or trustees as well as of stockholders or members. (54)	7, Manner of distribution of assets in nonstock corporations upon dissolution. (94)	7. Corporate name (39)
8. In case of stock corporation, amount of authorized capital stock, number of shares, par value of shares, issue price of no par value shares, original subscribers and amount paid by each	8. Penalties for violation of by-laws.	8. Procedure for issuance of certificate of shares of stock. (63)	8. Providing for staggered board in educational institutions. (108)	8. Denial of pre-emptive rights (48)
9. If it be a nonstock corporation, the amount of its capital, the names, nationalities, and residence addresses of the contributors, and amount contributed by each	9. Manner of issuing stock certificates.	9. Providing for interest on unpaid subscriptions. (66)		
10. Such other matters consistent with law and which the incorporators may deem necessary and convenient	10. Such other matters necessary for the proper means of corporate business and affairs.	10. Entries to be made in the stock and transfer book. (74)		
11. An arbitration agreement may be provided in the articles of incorporation pursuant to Section 181 of this Code		11. Providing for meetings of the members in a nonstock corporation outside of the principal office of the corporation. (93)		

5. Required vote for amendment of Articles of Incorporation

a. For simple amendment, the articles of incorporation may be amended by at least majority vote of the board of directors or trustees and the vote or written assent of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Code, or the vote or written assent of at least two-thirds (2/3) of the members if it be a non-stock corporation. (Example - Increasing the sits in the Board of Directors)

b. For very important amendment, articles of incorporation may be amended by at least majority vote of the board of directors or trustees and the ratification vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Code, or the ratification vote of at least two-thirds (2/3) of the members if it be a non-stock corporation. (Examples - (a) Changing the corporate term; or (b) Increasing or Decreasing Authorized Capital Stock)

c. Effectivity Date of Amendment of Articles of Incorporation

i. On the date of approval by Securities and Exchange Commission of filed amendment of articles of incorporation; or
ii. On the date of filing of amendment of articles of incorporation to SEC if there is inaction by SEC for causes not attributable to the corporation and ***there is lapsing of six (6) months*** from the date of submission of amendment of articles of incorporation to SEC

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6. **Grounds for Disapproval of Amendment of Articles of Incorporation**

    a. The articles of incorporation or any amendment thereto is not substantially in accordance with the form prescribed herein;
    b. The purpose or purposes of the corporation are patently unconstitutional, illegal, immoral or contrary to government rules and regulations;
    c. The certification concerning the amount of capital stock subscribed and/or paid is false; and
    d. The required percentage of Filipino ownership of the capital stock under existing laws or the Constitution has not been complied with.
        i. **Note:** No articles of incorporation or amendment to articles of incorporation of banks, banking and quasi-banking institutions, preneed, insurance and trust companies, NSSLAs, pawnshops and other financial intermediaries shall be approved by the SEC unless accompanied by a favorable recommendation of the appropriate government agency to the effect that such articles or amendment is in accordance with law.

7. **Corporate Name** - No corporate name shall be allowed by the SEC if it is not distinguishable from that already reserved or registered for the use of another corporation, or if such name is already protected by law, rules and regulations.

    a. A Corporate Name is **not distinguishable** even if it contains one or more of the following:
        i. The word "corporation", "company", incorporated", "limited", "limited liability", or an abbreviation of one if such words; and
        ii. Punctuations, articles, conjunctions, contractions, prepositions, abbreviations, different tenses, spacing, or number of the same word or phrase.

    b. **Legal Actions of SEC upon determination that the corporate name is: (1) not distinguishable from a name already reserved or registered for the use of another corporation; (2) already protected by law; or (3) contrary to law, rules and regulations:**

        i. SEC may summarily order the corporation to immediately cease and desist from using such name and require the corporation to register a new one;
        ii. SEC shall also cause the removal of all visible signages, marks, advertisements, labels prints and other effects bearing such corporate name. Upon the approval of the new corporate name, the SEC shall issue a certificate of incorporation under the amended name; and
        iii. If the corporation fails to comply with the SEC's order, the SEC may hold the corporation and its responsible directors or officers in contempt and/or hold them administratively, civilly and/or criminally liable under this Code and other applicable laws and/or revoke the registration of the corporation.

iii. Capital stock requirement for incorporation

1. **Minimum authorized capital stock** – There is no express minimum authorized capital stock unless required by special law.
2. **Minimum subscribed capital** – None
3. **Minimum paid-up capital** – None

iv. **Capital stock requirement in case of increase of authorized capital stocks**

1. **Minimum subscribed capital** – At least 25% of the increase in authorized capital stocks
2. **Minimum paid-up capital** – At least 25% of the actually subscribed capital stocks

b. **Corporators and Incorporators, Stockholders and Members**

i. **Corporators** are those who compose a corporation whether as:
    1. Stockholders or shareholders in a stock corporation;
    2. Members in a nonstock corporation.

ii. **Incorporators** are those stockholders or members mentioned in the articles of incorporation as originally forming and composing the corporation and who are signatories thereof.

iii. **Promoters** are the persons who acting alone or with another take initiative in founding and organizing the business or enterprise of the issuer and receive consideration therefor.

iv. **Subscribers** are the persons who agreed to take and pay for original and unissued shares of a corporation formed or to be formed.

v. **Underwriters** are persons who guaranteed on a firm commitment and/or declared best effort basis the distribution and sale of securities of any kind by another company.

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c. Juridical personality of a private corporation

i. Moment of start of juridical personality of a private corporation

1. A private corporation organized under this Revised Corporation Code ***commences its corporate existence and juridical personality from the date the SEC issues the certificate of incorporation under its official seal*** thereupon the incorporators, stockholders/members and their successors shall constitute a body corporate under the name stated in the articles of incorporation for the period of time mentioned therein, unless said period is extended or the corporation is sooner dissolved in accordance with law.
    a. Exceptions
        i. **Government Owned and Controlled Corporation created by Special Charter** – the date specified in the charter
        ii. **Corporation Sole** - From and after filing with the Commission of the said articles of incorporation, verified by affidavit or affirmation, and accompanied by the documents mentioned in the preceding paragraph, such chief archbishop, bishop, priest, minister, rabbi, or presiding elder shall become a corporation sole and all temporalities, estate and properties of the religious denomination, sect or church theretofore administered or manage as such chief archbishop, bishop, priest, minister, rabbi, or presiding elder shall be personally held in trust as a corporation sole, for the use, purpose, exclusive benefit and on behalf of the religious denomination, sect or church, including hospitals, schools, colleges, orphan asylums parsonages, and cemeteries thereof.

ii. Certificate of registration refers to the document issued by the SEC to a newly formed corporation which evidenced the existence of the juridical personality of the corporation. It is also known as the primary franchise of a corporation.

iii. Effect of corporation's failure to formally organize and commence its business within 5 years from the date of incorporation (Non-Use of Corporate Charter)

1. The corporation is ipso facto or automatically dissolved by operation of law without need of a court order or SEC decision. ***If a corporation does not formally organize and commence its business within five (5) year from the date of its incorporation, its certificate of incorporation shall be deemed revoked as of the day following the end of the five (5)-year period.***

iv. Effect of corporation's continuous inoperation for a period of at least 5 years after its formal organization (Delinquent Corporation) (Continuous Inoperation for at least 5 years)

1. ***The SEC may, after due notice and hearing, place a corporation which subsequently becomes inoperative for a period of at least five (5) years under delinquent status. A delinquent corporation shall have a period of two (2) years to resume operations and comply with all requirements that SEC shall prescribe.*** Upon compliance by the corporation, the SEC shall issue an order lifting the delinquent status. Failure to comply with the requirements and resume operations within the period given by the SEC shall cause the revocation of the corporation's certification of incorporation. The SEC shall give reasonable notice to, and coordinate with the appropriate regulatory agency prior to the suspension, revocation of the certificate of incorporation of companies under their special regulatory jurisdiction.

V. Governance of a Corporation

a. **By-Laws** refers to the rules of action adopted by a corporation for its internal government and for the regulation of conduct, and it prescribes the rights and duties of its stockholders or members towards itself and among themselves in reference to the management of its affairs. It neither affects nor prejudices third persons. It is less important than the Articles of Incorporation.

i. **Contents of By-Laws** (Please refer to the table in the Articles of Incorporation above)

ii. **Period of Submission of By-Laws –** By-laws shall be submitted to SEC at the time of submission of Articles of Incorporation.

iii. Required vote for adoption or amendment of by-laws or delegation to board of directors of power to amend by-laws or revocation of delegated power to the board to exclusively amend by-laws

1. Required vote for adoption of pre-incorporation by-laws

a. Unanimous vote of all incorporators or member-founders

i. Bylaws maybe adopted and filed prior to incorporation; in such case, such bylaws shall be approved and signed by all incorporators and submitted to SEC, together with the articles of incorporation.

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2. **Required vote for adoption of original bylaws after incorporation**
    a. For the adoption of bylaws by the corporation, the affirmative vote of the stockholders representing at least a majority of the outstanding capital stock, or of at least a majority of the members in case on nonstock corporations, shall be necessary.

3. **Required Vote for amendment of Post-incorporation by-laws when there is no valid stockholders' delegation to the Board of Directors of the exclusive power to amend by-laws**
    The affirmative vote of the stockholders representing at least a majority of the outstanding capital stock, or of at least a majority of the members in case on nonstock corporations.

4. **Required vote for amendment of Post-incorporation by-laws when there is valid stockholders' delegation to the Board of Directors of the exclusive power to amend by-laws**
    a. At least majority of the board of directors or trustees

5. **Required vote for delegation by the stockholders to the board of directors or trustees of the exclusive power to amend post-incorporation by-laws**
    The owner of two-thirds (2/3) of the outstanding capital stock or two-third (2/3) of the members in a nonstock corporation may delegate to the board of directors or trustees the power to amend or repeal the bylaws or adopt new bylaws.

6. **Required vote for the revocation by the stockholders of the delegated power of board of directors or trustees to exclusively amend post-incorporation by-laws**
    a. Any power delegated to the board of directors or trustee to amend or repeal the bylaws or adopt new bylaws shall be considered as revoke whenever stockholders owning or representing a majority of the outstanding capital stock or majority of the members shall so vote at a regular or special meeting.

b. Governing body of the Corporation - Unless otherwise provided in this Code, the board of directors or trustees shall exercise the corporate powers, conduct all business, and control all properties of the corporation.

i. **Stock corporation** – Board of Directors
ii. **Nonstock corporation** – Board of Trustees
iii. **Nonstock Nonprofit Educational Institution** – Board of Trustees
iv. **Corporation sole** – Trustee
v. **Religious Society** – Board of Trustees
vi. **One Person Corporation** – Single Stockholder

c. Number of members of the board
i. **Stock corporation** – 1 to 15
ii. **Ordinary nonstock corporation** – 1 but may exceed 15
iii. **Educational nonstock nonprofit corporation** – 5 or 10 or 15
iv. **Corporation sole** – One
v. **Religious Society** – 5 to 15
vi. **One Person Corporation** - Single Stockholder

d. Term of office of members of the board
i. **Stock corporation** – One (1) year
ii. **Ordinary nonstock corporation** – Three (3) years
iii. **Educational nonstock nonprofit corporation** – Five (5) years
iv. **Corporation sole** – N/A
v. **One Person Corporation** – N/A
    1. **Holdover Period** - Each director and trustee shall hold office until the successor is elected and qualified.

e. Qualifications of members of the board of directors or trustees

i. He must own at least one share of the capital stock of the corporation or he must be a member.
    1. A director who ceases to own at least one (1) share of stock or a trustee who ceases to be a member of the corporation shall cease to be such.
ii. He must be of legal age.
iii. The number of directors, which shall not be more than fifteen (15) or the number of trustees which may be more than fifteen (15).
iv. Compliance with the required minimum ownership of Filipino or maximum ownership of foreigners in industries reserved to Filipinos

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1. **Nationality requirement in certain industry reserved for Filipinos**

    a. **Mass Media** – 100% reserved to Filipinos
    b. **Advertising** – 70% reserved to Filipinos
    c. **Public Utility** – 60% reserved to Filipinos
    d. **Educational Institution** – 60% reserved to Filipinos
    e. **Exploration, evaluation and development of natural resources** – 60% reserved to Filipinos
    f. **Ownership of land** – 60% of the stockholders of the Corporation must be Filipinos

Note: The Corporation may provide additional qualifications to directors in its corporate by-laws provided such qualifications are just and reasonable and not violative of the Revised Corporation Code of the Philippines.

f. Mandatory Presence of Independent Directors - The board of the following ***corporations vested with public interest*** shall have ***independent directors*** constituting **at least twenty percent (20%) of such board**:

- **i.** Corporation whose securities are registered with SEC, corporations listed with an exchange (PSE);
- **ii.** **Public Corporation -** Corporation with assets of at least P50,000,000 and having 200 or more shareholders, each holding at least 100 shares of a class of its equity shares
- **iii.** Banks and quasi-banks, nonstock savings and loan associations, pawnshops, corporations engaged in money service business, preneed, trust and insurance companies, and other financial intermediaries; or
- **iv.** Other corporations engaged in business vested with public interest similar to the above, as may be determined by the SEC, after taking into account relevant factors which are germane to the objective and purpose of requiring the election of an independent director, such as the extent of minority ownership, type of financial products, or securities issued or offered to investors, public interest involved in the nature of business operations, and other analogous factors.

Definition of Independent Director - An **independent director** is a person who, apart from shareholdings and fees received from the corporation, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out the responsibilities as a director. Independent directors must be elected by the shareholders present or entitled to vote in absentia during the election of directors. Independent directors shall be subject to rules and regulations governing their qualifications, disqualifications, voting requirements, duration of term and their limit, maximum number of board memberships and other requirements that the SEC will prescribe to strengthen their independence and align with international business practices

g. Grounds for temporary disqualifications of members of the board for a *maximum period of five (5) years from conviction*

i. Conviction by final judgment (1) Of an offense punishable by imprisonment for a period exceeding six (6) years, (2) For violating The Revised Corporation Code of the Philippines; and (3) For violating "The Securities Regulation Code"; or
ii. Found administratively liable for any offense involving fraudulent acts; or
iii. Convicted by a foreign court or equivalent foreign regulatory for acts, violations or misconduct similar to those enumerate in letter (i) and (ii) above.

h. Election of the members of the board of directors or trustees

i. Rules on Nomination - Except when the exclusive right is reserved for holders of founders' shares under Section 7 of Revised Corporation Code, each stockholder or member shall have the right to nominate any director or trustee who possesses all of the qualifications and none of the disqualifications set forth in the Revised Corporation Code.

ii. Quorum for validity of meeting for election of members of the board of directors

1. At least majority of the outstanding capital for stock corporation
    a. Outstanding capital stock = Issued shares (including fully paid and partially paid (subscribed shares) – treasury shares – delinquent shares)
    b. Quorum will pertain to common stocks and voting preferred stocks only
2. At least majority of the members in case of nonstock corporation

iii. Electorate in election of directors

1. The common stockholders and voting preferred stockholders

iv. Required vote to elect a director or trustee

1. The nominees for directors or trustees receiving the highest number of votes shall be declated elected. **(Plurality rule)**

v. Required number of stocks to have one guaranteed sit in the Board of Directors

1. (Outstanding common stocks/(Number of sits to be elected +1)) + 1

vi. Manner of voting

1. **Stock corporation** – As a general rule, cumulative voting in order to give the minority interest the opportunity to exercise their right of representation. The number of shares will be multiplied by the number of sits to be elected in order to determine the available votes for each shareholder. Each shareholder may spread the number of available votes to the nominees.

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a. In stock corporations, stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit: Provided, That the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the corporation multiplied by the whole number of directors to be elected: Provided, however, That no delinquent stock shall be voted.

2. **Nonstock corporation** – Variation of cumulative voting and straight voting. The number of votes available to each member is equivalent to number of sits in the board of trustees to be filled up. But, a member can only give one vote for each nominee.
   a. Unless otherwise provided in the articles of incorporation or in the bylaws, members of nonstock corporations may cast as many votes as there are trustees to be elected but may not cast more than one (1) vote for one (1) candidate.

vii. **Reporting of Election or Non-Holding of Election or Vacancy in the Board to SEC**

1. ***Within thirty (30) days after the election*** of the directors, trustees and officers of the corporation, the secretary, or any other officer of the corporation, shall submit to the SEC, the names, nationalities, shareholdings, and residence addresses of the directors, trustees and officers elected.
2. The non-holding of elections and the reasons therefor shall be reported to the SEC ***within thirty (30) days from the date of the scheduled election.*** The report shall specify a new date for the election, which shall ***not be later than sixty (60) days from the scheduled date.***
3. Should a director, trustee or officer die, resign or in any manner case to hold office, the secretary or the director, trustee or officer of the corporation, shall, ***within seven (7) days from knowledge thereof***, report in writing such fact to the SEC.

i. **Removal of a Director or Trustee**

i. Required Vote by Stockholders

1. By vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock (common stocks only), or in a nonstock corporation, by a vote of at least two-thirds (2/3) of the member entitled to vote.

ii. **Meeting for Removal**

1. The removal of director or trustee shall take place either at a regular meeting of the corporation or at a special meeting called for the purpose, and in either case, after previous notice to stockholders or members of the corporation of the intention to propose such removal at the meeting.

iii. **Calling of Special Meeting for Removal**

1. A special meeting of the stockholders or members for the purpose of removing any director or trustee ***must be called by the secretary*** on ***order of the president, or upon written demand of stockholders representing or holding at least a majority of the outstanding capital stock, or a majority of the members entitled to vote.*** If there is no secretary, or the secretary, despite demand, fails or refuses to call the special meeting or to give notice thereof, the stockholder or member of the corporation signing the demand may call the special meeting or to give notice thereof, the stockholder or member of the corporation signing the demand may call for the meeting by directly addressing the stockholders or members. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice prescribed in the Revised Corporation Code.

iv. **Nondeprivation of Right of Representation to Minority Stockholders/Members**

1. Removal of a director or trustee may be with or without cause: Provided, That removal without cause may not be used to deprive minority stockholders or members of the right representation to which they may be entitled under Section 23 of the Revised Corporation Code.

v. Removal of a Director by reason of Disqualification of a Director or Trustee

1. The SEC shall, motu propio or upon verified complaint, and after due notice and hearing, order the removal of a director or trustee elected despite the disqualification, or whose disqualification arose or is discovered subsequent to an election. The removal of a disqualified director shall be without prejudice to other sanctions that the SEC may impose on the board of directors or trustees who, with knowledge of the disqualification, failed to remove such director or trustee.

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j. Filling up of vacancy in the board

i. **By plurality vote of outstanding common stockholders** – The common stockholders can always fill up the vacancy in the board of directors regardless of the reason of vacancy.

ii. By majority vote of remaining members of board of directors with quorum but only if the reason of vacancy is death, resignation, abandonment or disqualification.

1. **Reasons of vacancy in the board that disqualifies the board with quorum to fill up the vacancy therefore only the plurality vote of common stockholders can fill up the vacancy. (REI) or (IRE)**
   a. **R**emoval of directors
   b. **E**xpiration of term
   c. **I**ncrease in sits

iii. **Date for filling up of Vacancy in the Board**

1. When the vacancy is due to ***term expiration***, the election shall be held ***no later than the day of such expiration*** at a meeting called for that purpose.
2. When the vacancy arises as a result of ***removal by the stockholders or members***, the election may be held on the ***same day of the meeting authorizing the removal*** and this fact must be so stated in the agenda and notice of said meeting.
3. ***In all other cases of vacancy***, the election must be held ***no later than forty-five (45) days from the time the vacancy arose***.
4. Any directorship or trusteeship to be filled by a reason of an ***increase in the number of directors or trustees*** shall be filled ***only by an election at a regular or at a special meeting of stockholders or members duly called for the purpose, or in the same meeting authorizing the increase of directors or trustees if so stated in the notice of the meeting.***

iv. Term of Replacement Director or Trustee

1. A director or trustee elected to fill vacancy shall be referred to as replacement director or trustee elected to fill a vacancy shall be referred to as replacement director or trustee and shall serve only for the unexpired term of the predecessor in office.

k. **Emergency Board -** When the vacancy prevents the remaining directors from constituting a quorum and emergency action is required to prevent grave, substantial, and irreparable loss or damage to the corporation, **the vacancy may be temporarily filled from among the officers of the corporation by unanimous vote of the remaining directors or trustees.** The action by the designated director or trustee shall be limited to the emergency action necessary, and the term shall cease within a reasonable time from the termination of the emergency or upon election of the replacement director or trustee, whichever comes earlier. The corporation must notify the SEC ***within three (3) days from the creation of the emergency board***, stating therein the reason for its creation.

l. **Compensation or salary of board members** – In the absence of any provision in the bylaws fixing their compensation, the directors or trustees shall not receive any compensation in their capacity as such, except for reasonable per diems or honoraria.

i. Required vote for granting compensation/salary to members of the board of directors or trustees

1. At least majority vote of the outstanding common stocks or at least majority of members excluding the directors or trustees

ii. Maximum limit for compensation/salary of members of board of directors

1. 10% of net income before tax of the corporation during the preceding year

iii. Required vote for granting reasonable per diems (honorarium) to the members of the board of directors

1. At least majority vote of the members of the board of directors present in a meeting with quorum

iv. **Additional Notes on Compensation/Salary of Directors/Trustees**

1. Directors or trustees shall not participate in the determination of their own per diems or compensation.
2. Corporations vested with public interest shall submit to their shareholders and to the SEC, an annual report of the total compensation of each of their directors or trustees.

m. Creation of Executive Committee

i. Requirement for creation of executive committee

1. It must be created only by virtue of provision in the by-laws.

ii. Membership of executive committee

1. It must consist of at least three (3) members of the board of directors.

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iii. **Powers that cannot be delegated by the board of directors to executive committee (Nondelegable Powers of Board of Directors to Executive Committee) (FAAAD)**
1. **F**illing up of vacancy in the board of directors
2. **A**mendment or repeal of by-laws or adoption of new by-laws
3. **A**pproval of corporate acts requiring approval or ratification by stockholders
4. **A**mendment of term which is not amendable or repealable
5. **D**istribution or declaration of any time of dividends including cash dividends, property dividends, scrip dividends and stock dividends.

n. **Creation of Special Committees**
i. The board of directors may create special committees of temporary or permanent nature and determine the members' term, composition, compensation, powers, and responsibilities.

o. Acts of management or administration of the Corporation

i. Quorum for validity of meeting of Board of Directors for ordinary act of management or act of administration
1. At least majority of the directors as stated in the Articles of Incorporation

ii. Required vote for approval of act of management or act of administration
1. At least majority of the directors who attended the meeting with quorum.

iii. **Business judgment rule or Doctrine of Management Prerogative** means that the decision of the board of directors on matters of management cannot be changed by the court unless such management decision is ultra vires or destructive of the interest of minority stockholders. Meaning, the decision of the board of directors regarding act of management or act of administration is supreme.

p. **Number of votes of each member of the board of directors or trustees**
i. Regardless of the number of shares held, a director or trustee has only one (1) vote for the act of management and election of corporate officer.

q. Election of corporate officers

i. Quorum for validity of meeting of Board of Directors for election of corporate officers
1. At least majority of the directors as stated in the Articles of Incorporation

ii. Required vote for election of corporate officers
1. At least majority of the directors as stated in the Articles of Incorporation

iii. Qualifications of mandatory corporate officers

1. President
a. Qualifications of a corporate President
i. He must be a stockholder.
ii. He must be a director.
iii. He must be neither secretary nor treasurer.

2. Secretary
a. Qualifications of a corporate Secretary
i. He must be a Filipino national.
ii. He must be a resident of the Philippines.
iii. He must not be a president.

3. Treasurer
a. Qualifications of a corporate treasurer
i. He must not be a president.
ii. He must be a resident of the Philippines.

4. **Compliance Officer** - If the corporation is vested with **public interest**, the board shall elect a compliance officer. The compliance officer shall directly report to Audit Committee, an executive committee.

r. Three-fold duties of directors - The directors or trustees elected shall perform their duties as prescribed by law, rules of good governance, and by-laws of the corporation.

i. Duty of loyalty

1. Contract with self-dealing director, trustees or officers or their spouses within the <u>fourth civil degree of consanguinity or affinity</u>

a. Status of contract with self-dealing director or trustee – Voidable on the part of the corporation
b. Requisites in order for the contract with self-director or trustee to be perfectly valid
i. The presence of such director or trustee in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
ii. The vote of such director or trustee was not necessary for the approval of the contract;
iii. The contract is fair and reasonable under the circumstances;

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iv. In case of corporations vested with public interest, material contracts are approved by at least a majority of the independent directors voting to approved the material contract; and
v. In case of an officer, the contract has been previously authorized by the board of directors.

c. Ratification in case of voidability - Where any of the first three (3) conditions set forth in the preceding paragraph is absent, in the case of a contract with a director or trustee, such contract may be ratified by the vote of the
   i. At least 2/3 of the outstanding common stockholders or at least 2/3 of members with voting rights
d. Exceptional vote in case of material contract involving corporation imbued with public interest
   i. At least majority of entire membership of the board including majority (at least 2 out of 3) of independent directors

2. Contract between corporations with interlocking director

a. Status of contract between corporations with interlocking director – Generally valid
b. Instance when it becomes voidable - If the interest of the interlocking director in one (1) corporation is substantial (more than 20%) and the interest in the other corporation is merely nominal (20% or less), it becomes voidable in the corporation where the interlocking director has nominal interest when any of the first three (3) conditions set forth in the preceding paragraph is absent
c. Ratification in case of voidability
   i. At least 2/3 of the common stockholders or at least 2/3 of members with voting rights with respect to the corporation where the interlocking director has nominal interest

3. Ratification of disloyalty of director - Where a director, by virtue of such office, acquires a business opportunity which should belong to the corporation, thereby obtaining profits to the prejudice of such corporation, the director must account for and refund to the latter all such profits, unless the act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock.
   i. At least 2/3 of the outstanding common stocks

4. A director, trustee or officer shall not attempt to acquire, or any interest adverse to the corporation in respect of any matter which has been reposed in them in confidence, and upon which, equity imposes a disability upon themselves to deal in their own behalf; otherwise, the said director, trustee or officer shall be liable as a trustee for the corporation and must account for the profits which otherwise would have accrued to the corporation.

ii. Duty of obedience

1. The Board of Directors must follow RA 11232 and all implementing rules and regulations issued by SEC.

2. Directors or trustees who willfully and knowingly vote for or assent to patently unlawful acts of the corporation or who are guilty of gross negligence or bad faith in directing the affairs of the corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors or trustees shall be liable **jointly and severally** for all damages resulting therefrom suffered by the corporation, its stockholders or members and other persons.

iii. Duty of diligence
1. The Board of Directors must observe ordinary diligence or diligence of good father of a family in making business judgment for the corporation.

s. Meeting of Board of Directors

i. Place of Meeting

1. Place stated in the by-laws; or
2. In or out of the Philippine territory

ii. Frequency of Meeting
1. Frequency stated in the by-laws; or
2. Monthly

iii. Minimum days of giving written notice or electronic notice to directors
1. At least two (2) days before the scheduled meeting whether it is regular meeting or special meeting

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t. **Management Contract** is a legal agreement that grants operational control of a business initiative (managed corporation) to a separate group (managing corporation).

i. **Required vote for approval of management contract without interlocking director between the managing and managed corporations**

1. At least majority vote of board of directors with ratification of at least majority of common stockholders of managed corporation
2. At least majority vote of board of directors with ratification of at least majority of common stockholders of managing corporation

ii. **Required vote for approval of management contract with interlocking director between the managing and managed corporations**

1. At least majority vote of board of directors with ratification of at least 2/3 of common stockholders of managed corporation
2. At least majority vote of board of directors with ratification of at least majority of common stockholders of managing corporation

iii. **When is At least majority vote of board of directors with ratification of at least 2/3 of common stockholders of managed corporation required for approval of management contract?**

1. where a stockholder or stockholders representing the same interest of both the managing and the managed corporations own or control more than one-third (1/3) of the total outstanding capital stock entitled to vote of the managing corporation; or
2. where a majority if the members of the board of directors of the managing corporation also constitute a majority of the members of the board of directors of the managed corporation

u. **Liability of Directors or Trustees of a Corporation**

i. They are personally liable for corporate debts up to the extent of the promised contribution or capital contribution.

ii. **Exceptional cases wherein the directors or trustees are liable jointly and severally for all damages resulting therefrom suffered by the corporation, its stockholders or members and other persons.**

1. When they wilfully and knowingly vote for or assent to patently unlawful acts of the corporation
2. When they are guilty of gross negligence or bad faith in directing the affairs of the corporation
3. When they acquire any personal or pecuniary interest in conflict with their duty as such directors or trustees

VI. Rights of a stockholder

a. **Doctrine of equality of shares** means that each share shall be equal in all respects to every other share, except as otherwise provided in the articles of incorporation and in the certificate of stock.

b. Right to participation in management through voting

i. **Entitlement to vote** – As a general rule, all stocks are entitled to vote to except those which have limited voting rights because they are classified as non-voting in the Articles of Incorporation and therefore allowed to vote only on fundamental corporate acts.

ii. **Stocks which completely have no voting rights**

1. Treasury shares
2. Delinquent shares
3. Fractional shares
4. Escrow shares before the fulfillment of suspensive condition or arrival of suspensive period

iii. **How to vote**

1. **Personal voting by stockholders**

2. **Through an agent by virtue of a proxy agreement (special power of attorney)**

a. **Proxy** refers to a written authorization given by one person (stockholder) to another (agent) so that the second can act for the first. It also refers to the agent or holder of authority or person authorized by an absent stockholder or member to vote for him at a stockholders' meeting.

b. **Persons who are not allowed to vote through a proxy and therefore must personally attend the meeting**

i. Members of board of directors
ii. Members of board of trustees
iii. Proxy of a stockholder or a member
iv. Groom and Bride in contract of marriage

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c. **Requirements of proxy for validity**
   i. It shall be valid only for the meeting which is was intended unless classified as continuing proxy.
   ii. It shall be in writing.
   iii. It shall be filed before the scheduled meeting with the corporate secretary.
   iv. It shall be signed by the shareholder/member concerned.
   v. It shall be valid and effective for a period of 5 years at any one time.

d. Term of proxy
   i. A period not exceeding 5 years but subject to unlimited renewal

3. Through a trustee in a voting trust agreement

a. **Voting trust agreement** refers to the agreement whereby stockholders (trustors) of a stock corporation confers upon a trustee the right to vote and other rights pertaining to the shares and it should not be used to circumvent the law against monopolies and illegal combinations in restraint of trade or for fraud purposes.

b. Requirement of voting trust agreement for validity
   i. It should be in writing.
   ii. It should be notarized.
   iii. It should be filed before the corporate secretary.
   iv. It shall be valid and effective for a period of 5 years at any one time.

c. **Effect if the voting trust agreement is not in writing and not notarized**
   i. It is in unenforceable and ineffective.

d. Term of voting trust agreement
   i. A period not exceeding 5 years but subject to unlimited renewal except in case of voting trust agreement executed pursuant to a loan covenant thus the term will be the term of the loan.

4. Differences between proxy and voting trust agreement

a. As to need for notarization, **proxy** need not be notarized while **voting trust agreement** must be notarized.
b. As to transfer of title, there is no transfer of title to **proxy** while there is transfer of title to **trustee**.
c. As to manner of voting, the **proxy** must vote in person while the **trustee** may vote in person or by proxy.
d. As to meeting to be attended, **proxy** can only act at a specified meeting if not continuing proxy while **trustee** is not limited to act at any particular meeting.
e. As to revocability, **proxy** is revocable at any time while **voting trust agreement** is irrevocable.
f. As to capacity, the **proxy** votes as an agent while the **trustee** votes as an owner.
g. As to eligibility as a director, **proxy** (agent) cannot become a director while **trustee** (stockholder) can become a director.

5. Voting by co-owners

a. Unanimously – All co-owners must participate.
b. Exceptional case when a co-owner may vote alone despite the absence of other co-owners
   i. When the certificate of stock provides *"and/or"*
   ii. When there is proxy or voting trust granted to a co-owner by the other co-owners

6. Voting through remote communication or in absentia by stockholders or members in the election of directors or trustees

a. (1) When so authorized in the by-laws **or** (2) by a majority vote of the board of directors/trustees, the stockholders or members may also vote through remote communication or in absentia. Provided, that the right to vote through such modes may be exercised in corporations vested with public interest, notwithstanding the absence of a provision in the bylaws of such corporations. A stockholder or member who participates through remote communication or in absentia shall be deemed present for purposes of quorum.

c. Meeting of Stockholders

i. Place of Meeting of Stockholders

1. Generally in the principal office of the corporation except if it is not practicable, then anywhere in the city or municipality where the Principal Office of the Corporation is located.
2. However, the cities within Metro Manila, Metro Cebu and Metro Davao shall be considered one city.

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ii. Frequency of Regular Meeting of Stockholders

1. Frequency stated in the by-laws; or
2. Annually

iii. Date of Meeting of Regular Meeting of Stockholders

1. Date stated in the by-laws; or
2. Any date after April 15 as may be determined by the Board

iv. Minimum days of giving written notice to Stockholders through electronic mail or such other manner as the SEC shall allow under its guidelines

1. For regular meeting - At least twenty one (21) days before the scheduled meeting
2. For special meeting – At least one (1) week before the scheduled meeting

v. Closure of Stock and Transfer Book or Membership Book prior to meeting

1. For regular meeting – At least twenty (20) days before the schedule date of meeting
2. For special meeting – At least seven (7)days before the schedule date of meeting

vi. Quorum in Meeting

1. Unless otherwise provided in Revised Corporation Code or in the bylaws, a quorum shall consist of the stockholders representing a majority of the outstanding capital stock or a majority of the members in the case of nonstock corporations.

vii. **Presiding Officer in Meeting**

1. The chairman or, in his absence, the president shall preside at all meetings of the directors or trustees as well as of the stockholders or members, unless the bylaws provide otherwise.

d. Propriety rights

i. Right to dividends

1. Entitlement to dividends

a. The stockholders are only entitled to dividends upon declaration by the board of directors. Without declaration by the board of directors, stockholders are not entitled to dividends even if they are cumulative preference shares.

2. Requirement for declaration of dividends

a. There must be unrestricted retained earnings.

3. Maximum Retained Earnings that may be accumulated by a corporation without valid appropriation

a. Up to 100% of paid-up capital or contributed capital by stockholders

4. Reasons for Valid Appropriation or Restriction of Retained Earnings (VLC)

a. **V**oluntary appropriation of Retained Earnings ((1)Appropriation for Corporate Expansion or (2) Appropriation for Contingency)
b. **L**egal Appropriation of Retained Earnings (Appropriation for Treasury Shares)
c. **C**ontractual Appropriation of Retained Earnings (Appropriation as a requirement of loan covenant)

5. **Required Vote for Declaration of Dividends**

a. Stock Dividends – At least majority of the Quorum of Board of Directors and ratified by at least 2/3 of outstanding common stocks
b. Cash Dividends or Property Dividends or Scrip Dividends – At least majority of the Directors present in a meeting with quorum

6. Extent of right to dividends

a. Of full-fledged stockholder – Full right
b. Of subscribers which are not yet delinquent – Full right
c. Of subscribers which are already delinquent – The delinquent subscribers are entitled to dividends but the cash dividends shall be offsetted to the subscription balance while the certificate of stocks of stock dividends or certificate of ownership of property dividends will be withheld until the subscription balance is fully paid.

ii. Right to inspect corporate books

1. Requirements for exercise of the right to inspect

a. The right must be exercised during reasonable hours on business days.
b. The person demanding the right has not improperly used any information obtained through any previous examination of the books and records of the corporation.
c. The demand is made in good faith or for legitimate purpose.

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2. Justifiable grounds for denial of right to inspection of corporate books

a. To obtain information as to business secrets or to assist reveal business secrets
b. To secure business prospects or investment advertising list for the purpose of selling it to an advertising agency
c. To find technical defects in corporate transactions in order to bring nuisance or strike suits for purposes of blackmail or extortion
d. To obtain information intended to be published as to embarrass the company business

3. Remedies of available to stockholder if the denial of the right to inspect by the corporation is unjustified

a. File a petition for mandamus against the said corporate officer.
b. File an action for damages against the said corporate officer.
c. File a criminal action for violation of Corporation Code against the responsible officer.

4. **Right to Financial Statements**. - A corporation shall furnish a stockholder or member, within ten (10) days from receipt of their written request, its most recent financial statement, in the form and substance of the financial reporting required by the Commission.

At the regular meeting of stockholders or members, the board of directors or trustees shall present to such stockholders or members a financial report of the operations of the corporation for the preceding year, which shall include financial statements, duly signed and certified in accordance with this Code, and the rules the Commission may prescribe. The quantitative threshold for the financial statements of a corporation to be audited by independent external auditor is either at least P600,000 in total assets or at least P600,000 in total liabilities.

However, if the total assets or total liabilities of the corporation **are less than Six hundred thousand pesos (₱600,000.00),** or such other amount as may be determined appropriate by the Department of Finance, the financial statements may be certified under oath by the treasurer and the president.

iii. Preemptive right (Right to buy by incumbent stockholders)

1. **Preemptive right** refers to the common-law right of shareholders to subscribe to all issues or disposition of shares of any class in proportion to their present shareholdings unless denied in the articles of incorporation. It is intended to protect both the proprietary and voting rights of a stockholder in a corporation, since such proportionate interest determines his proportionate power to vote in corporate affairs when the law gives the shareholders a right to affirm or deny board actions. It is a common-law right that exists despite the absence of provision in the Revised Corporation Code of the Philippines. It is intended to prevent dilution of capital interest of incumbent stockholders.

2. Extent of preemptive right

a. It extends to all issuance of shares including opening of unsubscribed shares or increase of authorized capital stock or reissuance of treasury shares.

3. Issuance of shares where preemptive right is not available

a. Shares to be issued to comply with laws requiring stock offering or minimum stock ownership by the public such in the case of initial public offering (IPO)
b. To shares that are being reoffered by the corporation after they were initially offered together with all the shares to the existing stockholders who initially refused them
c. Shares issued in good faith with approval of the stockholders holding 2/3 of the outstanding capital stock in exchange for the property needed for corporate purposes
d. Shares issued, with approval of the stockholders holding 2/3 of the outstanding capital stock, in payment of previously contracted debts of the corporation
e. Waiver of the right by the stockholder
f. In case of non-stock corporation since there is no control in membership
g. In so far as the assignee is concerned, where the assignors have previously exercised their pre-emptive rights to subscribe to new shares
h. When the pre-emptive right is denied in the articles of incorporation or amendment thereto

4. Validity of Denial of pre-emptive right

a. It must be denied in the articles of incorporation and cannot be validly denied in the by-laws. The required vote for denial of pre-emptive right is 2/3 of outstanding common stocks.

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iv. Right of first refusal (Right of first option of close corporation or stockholders in a close corporation)

1. **Right of first refusal** provides that a stockholder who may wish to sell or assign his shares must first offer the shares to the corporation or to other existing stockholders of the corporation, under terms and conditions which are reasonable; and that only when the corporation or the other stockholders do not or fail to exercise their option, is the offering stockholder at liberty to dispose of his shares to third parties. It arises only by virtue of contractual stipulations, in which case the right is construed strictly against the right of persons to dispose of or deal with their property. It is normally available in a close corporation as stated in its articles of incorporation. It is a contractual right of a stockholder that must be stated in the articles of incorporation and the certificate of stocks.

v. Right of Appraisal (Right of dissenting stockholder to sell his shares to the corporation)

1. **Appraisal right** refers to the right of a dissenting stockholder to demand the payment of the fair value of his shares after dissenting from a proposed corporate action involving a fundamental change in the corporation in the cases provided by law when such right is available. This right may be waived by a shareholder if he has done so knowingly and intelligently. There must be unrestricted retained earnings before the stockholder in an ordinary corporation may exercise this right.

2. **Grounds for exercise of appraisal right (AIM-CSC)**

   a. **A**mendment to the articles of incorporation that has the effect of changing or restricting the rights of shareholder, or of authorizing preference over those of outstanding shares;
   b. **I**nvestment of corporate funds in another corporation or in a purpose other than the primary purpose and secondary purpose;
   c. **M**erger or consolidation of two or more corporations;
   d. **C**hanging corporate term whether shortening or extending;
   e. **S**ale, encumbrance, pledge, mortgage or other disposition of all or substantially all of the corporate property or assets; or
   f. In a **C**lose corporation, a stockholder may for any reason, compel the close corporation to purchase his shares when the corporation has sufficient assets in its books to cover its debts and liabilities exclusive of capital stock.

3. Manner of exercise of appraisal right

   a. The dissenting stockholder shall make a written demand on the corporation within 30 days after the date on which the vote was taken for the payment of the fair value of his shares.
   b. The withdrawing stockholder must submit his certificate of stocks evidencing the shares of stocks to the corporation for notation of being dissenting stockholder within 10 days from his written demand.
   c. All rights accruing to such shares shall be suspended from time of demand for payment of the fair value of the shares until either the abandonment of the corporate action.
   d. The dissenting stockholder shall be entitled to receive payment of the fair value of shares thereof as of **the day prior to the date on which the vote was taken**, excluding any appreciation or depreciation in anticipation of such corporate action.
   e. The payment must be made by the corporation within 30 days from the determination by the Board of Appraisers of the fair value of the shares otherwise the rights of the dissenting stockholders will be restored. The Board of Appraisers consists of a person appointed by the corporation, a person appointed by the dissenting stockholder and the third person appointed by the two appointees. The decision of majority of the Board of Appraisers on the determination of fair value of shares shall prevail.
   f. Stockholder must transfer his shares to the corporation upon payment by the corporation of the fair value shares.
   g. Upon payment of the fair value of shares by the corporation, all the rights of dissenting stockholders are terminated and not merely suspended.
   h. There must be unrestricted retained earnings before the dissenting stockholder can exercise his appraisal right.

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e. Remedial Right

i. **Individual suit** is an action brought by a stockholder against the corporation for direct violation of his contractual rights. (Stockholder vs. Corporation) (Example is availment of preemptive right by a dissenting stockholder.)

ii. **Representative suit** refers to an action brought by a person in his own behalf or on behalf of all similarly situated. (Association of Stockholders vs. Corporation) (Example is availment of right to vote by a specific type of stockholkders.)

iii.

iv. **Derivative suit** refers to a suit brought by one or more stockholders or members in the name and on behalf of the corporation to redress wrongs committed against it or to protect or vindicate corporate rights, whenever the officials of the corporation refuse to sue or are the ones to be sued or hold control of the corporation. The corporation is a necessary party to the suit. It is a suit filed by a person who must be a shareholder to enforce a corporation's cause of action. (Stockholder in behalf of corporation vs. Board of Directors of Corporation)

1. **Requirements of Derivate Suit**
   a. The cause of action must belong to the corporation.
   b. The petitioner or complainant must be a stockholder.
   c. All administrative remedies available must be exhausted. (**Remedy of last resort**)
   d. The suit must not be a nuisance or harassment suit.
   e. Appraisal right must not be available to the stockholder.

f. Obligations of a stockholder

i. **Limited liability rule** means that a stockholder is personally liable for the financial obligations of the corporation to the extent only of his unpaid subscription or that a stockholder's liability for corporate debts extends only up to the amount of his capital contribution to the corporation.

ii. **Trust fund doctrine** means that assets of the corporations are considered trust fund reserved for payment of liabilities to creditors of the corporation.

i. Liability for watered stock

1. Instances of issuance of watered stock
   a. Issuance of shares without consideration – bonus share
   b. issuance of shares as fully paid when the corporation has received a lesser sum of money than its par or issued value – discount share
   c. Issuance of shares for a consideration other than actual cash such as property or services the fair valuation of which is less than its par or issued price
   d. Issuance of stock dividend where there are no sufficient retained earnings or surplus to justify it

2. Nature of liability for issuance of watered stocks
   a. Consenting director/officer, non-objecting director/officer despite knowledge of issuance of watered stock, subscriber, subsequent transferor and transferee shall be **solidarily liable** for the difference between the fair value received at the time of issuance of stock and the par or issue value of the same.

VII. Capital structure

a. Subscription agreement is an agreement between a corporation and a subscriber for the acquisition of unissued shares of stocks of a corporation at a specified amount.

i. Nature of contract of subscription
1. Contract of subscription is an **indivisible contract**. Until or unless the subscribed shares are fully, the subscriber of shares cannot compel the corporate secretary to issue the certificate of stocks covering the partially paid shares.
2. Contract of subscription is a **consensual contract**. Meaning, it is perfected by mere consent and may be entered orally or in writing or in private or public instrument.
3. Contract of subscription is **not covered by statute of fraud**. Meaning, even it is not in writing, it remains to be perfectly valid even if executory.

ii. Types of subscription contract

1. Pre-incorporation subscription – subscription contract entered into before the incorporation.
   a. Period of irrevocability
      i. It is irrevocable for a period of six (6) months from the date of subscription and after its submission to SEC.

   b. Period for cancellation
      i. It may be revoked after six (6) months from the date of subscription but it must be made before its submission to SEC.

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2. **Post-incorporation subscription -** subscription contract entered into after the incorporation.
    i. It may not be revoked unless there is unrestricted retained earning to support its retirement in order not to violate trust fund doctrine.
3. **Subscriber of shares of stocks which are not yet delinquent** are entitled to all the rights of a full-fledged stockholders except the right to issuance of certificate of stocks.

b. Consideration for issuance of shares of stocks as evidenced by Certificate of Stocks

i. Valid consideration

1. Cash
2. Noncash asset
3. Preexisting obligation of the corporation in case of equity swap
4. Services rendered
5. Conversion of other class of shares of stocks in case of conversion of convertible bonds or conversion of convertible preference stocks
6. Unrestricted retained earnings in case of distribution of stock dividends
7. Shares of stock in another corporation; and/or
8. Other generally accepted form of consideration.

ii. Invalid consideration

1. Promissory note
2. Future services

c. Shares of stocks refer to the interests or rights which the owner has in the management of the corporation and its surplus profits, and on dissolution, in all of its assets remaining after the payment of its debts. They do not represent co-ownership in the assets of the corporation but such interests are merely indirect and inchoate.

i. Nature of shares of stocks as an asset

1. They are intangible, financial assets and personal assets.

ii. Requirements for issuance of certificate of stock

1. They must be fully paid.

d. Payment of balance of subscription

i. Accrual of interest for subscription

1. Subscription contract with stated maturity date
a. The interest will accrue in the date stated in the subscription contract.

2. Subscription contract without stated maturity date
a. The interest will accrue at the date of delinquency of shares.

3. Interest rate of subscription contract
a. The stated rate in the contract
b. In the absence stated rate in the contract, the legal interest rate which is 6% on or after July 1, 2013 and 12% before July 1, 2013

ii. Delinquency of shares

1. Moment of delinquency of shares

a. Subscription contract with stated maturity date
i. Upon lapsing of 30 days from the maturity date stated in the contract

b. Subscription contract without stated maturity date
i. Upon lapsing of 30 days from the date of payment as stated in the call of Board of Directors for payment

2. Effect to rights of subscribers for delinquent shares
a. The rights of delinquent shares are suspended except right to cash, property, scrip or stock dividends.

3. Legal Remedies of corporation for delinquent shares

a. Civil action by filing before a regular court an action to collect a sum of money; or
b. Sale of delinquent shares in public auction after proper publication
    i. To highest bidder
        1. He refers to the bidder who is willing to pay the aggregate of the subscription balance, interest on subscription and expenses of delinquency sale for the lowest number of sales.
    ii. In the absence of highest bidder, acquisition by corporation and placing them to treasury. There must be unrestricted retained earnings to support the acquisition of treasury shares.

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iii. Period fixed by law for the sale of delinquent shares in public auction
    1. Not less than thirty (30) days nor more than sixty (60) days from the date the stocks become delinquent

e. Certificate of stock – is the tangible evidence of the shares of stock.

i. Nature of the certificate of stock as an instrument

1. It is a quasi-negotiable instrument in that sense that it may be transferred by endorsement coupled with delivery but it is not negotiable because the holder thereof takes it subject to personal and real defenses available to the registered owners.

ii. Requirements for issuance of certificate of stock

1. The certificate must be signed by the president or vice president and countersigned by the secretary or assistant secretary.
2. The certificate must be sealed with the seal of the corporation.
3. The par value, as to par value shares or the subscription as to no par value shares must first be fully paid.
4. The certificate must be delivered.
5. The original certificate must be surrendered where the person requesting the issuance of a certificate is a transferee from the stockholder.

iii. Requirements for valid transfer of shares of stocks of corporation

1. Under Civil Code

a. Upon constructive delivery of shares of stocks in a contract of sale

2. Under Corporation Code

a. There must be delivery of the certificate of stock.
b. The share of stock or certificate of stock must be indorsed by the owner or his agent.
c. To be valid to the corporation and third persons, the transfer must be duly recorded in the books of the corporation showing the names of the parties, transaction date, number of certificate and shares transferred.

3. **Remedy if the formality prescribed by the Revised Corporation Code is not complied with**

a. The transferee may file a civil action to compel the transfer to observe the formality provided by the Revised Corporation Code for valid transfer of certificate of stocks.

4. **Note:** Under NIRC, all corporate secretaries are not authorized to make transfer of certificate of stocks from the transferor to the transferee unless there is a certificate authorizing registration (CAR) from BIR stating that the corresponding capital gains tax, estate tax, donor's tax and documentary stamp tax for the transfer have been paid.

f. Stock and transfer books

i. It refers to corporate book which contains the record of all stocks in the names of the stockholders alphabetically arranged; the installment paid and unpaid on all stock for which subscription has been made, and the date of payment of any installment; a statement of every alienation, sale or transfer of stock made, the date thereof, and by and to whom made; and such other entries as the by-laws may prescribe. It must be set up and registered by the Corporation with the SEC within 30 days from receipt of its certificate of registration.

ii. All entries must be made only by the corporate secretary in the absence of a stock and transfer agent employed by the corporation. If any entry is made by any officer other than the corporate secretary, such entry is null and void.

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VIII. Dissolution and Liquidation of Corporation

i. Definition of corporate dissolution

1. It refers to the extinguishment of the corporate franchise and the termination of corporate existence. It legally affects more the nature and capacity of the juridical being of the corporate being.

ii. Modes of dissolution

1. Voluntary modes

a. Where creditors are not affected (Total Assets > Total Liabilities) – By verified request to SEC submitting the board resolution and ratification by the stockholders.

i. At least majority vote of the board of directors with ratification of at least majority of stockholders
   1. At least twenty (20) days prior to the meeting, notice shall be given to each shareholder or member of record personally, by registered mail, or by any means authorized under its bylaws, whether or not entitled to vote at the meeting, in the manner provided in Section 50 of this Code and shall state that the purpose of the meeting is to vote on the dissolution of the corporation. Notice of the time, place and object of the meeting shall be published once prior to the date of the meeting in a newspaper published in the place where the principal office of said corporation is located, or if general circulation in the Philippines.
   2. A verified request for dissolution shall be filed with the Commission stating: (a) the reason for the dissolution; (b) the form, manner, and time when the notices were given; (c) names of the stockholders and directors or members and trustees who approved the dissolution; (d) the date, place, and time of the meeting in which the vote was made; and (e) details of publication.
   3. The corporation shall submit the following to the Commission: (1) a copy of the resolution authorizing the dissolution, certified by a majority of the board of directors or trustees and countersigned by the secretary of the corporation; (2) proof of publication; and (3) favorable recommendation form the appropriate regulatory agency, when necessary.
   4. Within fifteen (15) days from receipt of the verified request for dissolution, and in the absence of any withdrawal within said period, the Commission shall approved the request and issue the certificate of dissolution. The dissolution shall take effect only upon the issuance by the Commission of certificate of dissolution.
   5. No application for dissolution of banks, banking and quasi-banking institutions, preneed, insurance and trust companies, NSSLAs, pawnshops, and other financial intermediaries shall be approved by the Commission unless accompanied by a favorable recommendation of the appropriate government agency.

b. Where creditors are affected (Total Assets < Total Liabilities) - By verified petition to SEC with notice and hearing with creditors

i. At least majority vote of the board of directors with ratification of at least 2/3 of stockholders
   1. The petition shall likewise state: (a) the reason for the dissolution; (b) the form, manner, and time when the notices where given; and (c) the date, place and time of the meeting in which vote was made. The corporation shall submit to the Commission the following: (1) a copy of the resolution authorizing the dissolution, certified by a majority of the board of directors or trustees and countersigned by the secretary of the corporation; and (2) a list of all its creditors.
   2. If the petition is sufficient in form and substance, the Commission shall by an order reciting the purpose of the petition, fix a deadline for filing objections to the petition which date shall not be less than thirty (30) days nor more than sixty (60) days after the entry of the order. Before such date, a copy of the order shall be published at least one week for three (3) consecutive weeks in a newspaper of general circulation published in the municipality or city where the principal office of the corporation is situated, or if there be no such newspaper, then in a newspaper of

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general circulation in the Philippines, and a similar copy shall be posted for three (3) consecutive weeks in three (3) public places in such municipality or city.

3. Upon five (5) days' notice given after the date on which the right to file objections as fixed in the order has expired, the Commission shall proceed to hear the petition and try any issue raised in the objections filed; and if no such objection is sufficient, and the material allegations of the petition are true, it shall render judgment dissolving the corporation and directing such disposition of its assets as justice requires, and may appoint a receiver to collect such assets and pay the debts of the corporation.
4. The dissolution shall take effect only upon the issuance by the Commission of a certificate of dissolution.

c. By shortening of corporate term - By amending the articles of incorporation and submitting such amendment to SEC.

i. At least majority vote of the board of directors with ratification of at least 2/3 of stockholders
   1. Upon the expiration of the shortened term, as stated in the approved amended articles of incorporation, the corporation shall be deemed dissolve without any further proceedings, subject to the provisions of this Code on liquidation.
   2. In the case of expiration of corporate term, dissolution shall automatically take effect on the day of the following the last day of the corporate term stated in the articles of incorporation without the need for the issuance by the Commission of a certificate of dissolution.

d. By merger or consolidation - By submitting the Board resolution and ratification of the merging or consolidating corporation.

i. At least majority vote of the board of directors with ratification of at least 2/3 of stockholders of the merging or consolidating corporations

e. **Withdrawal of Request for Dissolution**

i. A withdrawal of the request for dissolution shall be made in writing, duly verified by any incorporator, director, trustees, shareholder, or member and signed by the same number of incorporators, directors, trustees, shareholder, or member and signed by the same number of incorporators, directors, trustees, shareholders, or members necessary to request for dissolution as set forth in the foregoing sections. The withdrawal shall be submitted no later than fifteen (15) days from receipt by the Commission of the request for dissolution, the Commission shall withhold action on the request for dissolution and shall, after investigation: (a) make a pronouncement that the request for dissolution is deemed withdrawn; (b) direct joint meeting of the board of directors or trustees and the stockholders or members for the purpose of ascertaining whether to proceed with dissolution; or (c) issue such other orders as it may deem appropriate.

ii. A withdrawal of the petition for dissolution shall be in the form of a motion and similar in substance to a withdrawal of request for dissolution but shall be verified and filed prior to publication of the order setting the deadline for filing objections to the petition.

2. Grounds for Involuntary Dissolution - A corporation may be dissolved by the Commission motu propio or upon filing of a verified complaint by any interested party. The following may be grounds for dissolution of the corporation

a. None-use of corporate charter as provided under Section 21 of his Code;
b. Continuous inoperation of a corporation for a period of at least 5 years as provided under Section 21 of this Code;
c. Upon receipt of a lawful court order dissolving the corporation;
d. Upon finding by the final judgment that the corporation procured its incorporation through fraud;
e. Upon finding by final judgment that the corporation:

i. Was created for the purpose of committing, concealing or aiding the commission of securities violation, smuggling, tax evasion, money laundering, or graft and corrupt practices;

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ii. Committed or aided in the commission of securities violations, smuggling, tax evasion, money laundering, or graft and corrupt practices, and its stockholders knew of the same; and
iii. Repeatedly and knowingly tolerated the commission of graft and corrupt practices or other fraudulent or illegal acts by its directors, trustees, officers, or employees.

f. **Note:** If the corporation is ordered dissolved by final judgment pursuant to the grounds set forth in subparagraph (e) hereof, its assets, after payment of its liabilities, shall upon petition of the Commission with the appropriate court, be forfeited in favor of the national government. Such forfeiture shall be without prejudice to the rights of innocent stockholders and employees for services rendered, and to the application for other penalty or sanction under this Code or other laws.

g. **Note:** The Commission shall give reasonable notice to, and coordinate with, the appropriate regulatory agency prior to the involuntary dissolution of companies under their special regulatory jurisdiction.

3. Grounds for automatic dissolution of a corporation or ipso facto corporate dissolution by operation of law
a. By expiration of corporate term although the corporation may file an application for revival of corporation existence
b. Failure to formally organize within 5 years from incorporation
c. Approval by SEC of shortened corporate term
d. Approval by SEC of certificate of merger or consolidation

4. Grounds which will not automatically dissolve a corporation but will require court order or SEC decision
a. Being De facto
b. Violation of laws or rulings of SEC
c. Failure to submit annual report or financial statements to SEC
d. Continuous inoperation for a period of at least 5 years

b. Liquidation

i. Corporation Liquidation - Except for banks, which shall be covered by the applicable provisions of Republic Act No. 7653, otherwise known as "The New Central Bank Act", as amended, and Republic Act No. 3591, otherwise known as the Philippine Deposit Insurance Corporation Charter, as amended, every corporation whose charter expires pursuant to its article of incorporation is annulled by forfeiture, or whose corporate existence is terminated in any other manner, shall nevertheless remain as a body corporate for three (3) years after the effective date of dissolution, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, dispose of and convey its property, and distribute its assets, but not for the purpose of continuing the business for which it was established. At any time during said three (3) years, the corporation is authorized and empowered to convey all of its property to trustees for the benefit of stockholders, members, creditors, and other persons in interest. After any such conveyance by the corporation of its property in trust for the benefit of its stockholders, members, creditors and others in interest, all interest which the corporation had in the property terminates, the legal interest vests in the trustees, and the beneficial interest in the stockholders, members, creditors or other persons-in-interest.

ii. Definition of Liquidation – It refers to the process of converting non-cash assets of a liquidating corporation into cash and distributing the net proceeds to creditors first and then the remainder to stockholders.

iii. Period of Liquidation – It shall be finished within a recommendatory period of 3 years counted from the dissolution of a corporation.

iv. Distribution of Assets to unknown stockholder/member/creditor
1. Upon the winding up of corporate affairs, any asset distributable to any creditor or stockholder or member who is unknown or cannot be found shall be escheated in favor of the national government.

v. **Trust Fund Doctrine Application**
1. Except by decrease of capital stock and as otherwise allowed by this Code, no corporation shall distribute any of its assets or property except upon lawful dissolution and after payment of all its debts and liabilities.

vi. **Rule on Distribution of Assets of Nonstock Corporation during liquidation**
1. All liabilities and obligations of the corporation shall be paid, satisfied and discharged, or adequate provision shall be made therefor:
2. Assets held by the corporation upon a condition requiring return, transfer or conveyed in accordance with such requirements;
3. Assets received and held by the corporation subject to limitations permitting their use only for charitable religious, benevolent, educational or similar purpose, but not held upon a condition requiring return, transfer or conveyance by reason of the dissolution, shall be transferred or conveyed to one (1) or more corporations, societies or organizations engaged in activities in the Philippines substantially similar to those of the dissolving corporation according to a plan of distribution adopted pursuant to this Chapter;

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4. Assets other than those mentioned in the preceding paragraphs, if any, shall be distributed in accordance with the provisions of the articles of incorporation or the bylaws, to the extent that the articles of incorporation or the bylaws extent that the articles of incorporation or the bylaws determine the distributive rights of members, or any class or classes of members, or provide for distribution; and
5. In any other case, assets may be distributed to such person, societies, organizations or corporations, whether or not organized for profit, as may be specified in a plan of distribution adopted pursuant to this Chapter.

vii. **Plan of Distribution of Assets of Nonstock Corporation**

1. A plan providing for the distribution of assets, consistent with the provisions of this Title, may be adopted by a nonstock corporation in the process of dissolution in the following manner:
    a. The board of trustees shall, by majority vote, adopt a resolution recommending a plan of distribution and directing the submission thereof to a vote at a regular or special meeting of members having voting rights;
    b. Each member entitled to vote shall be given a written notice setting forth the proposed plan of distribution or summary thereof and the date, time and place of such meeting within the time and in the manner provided in this Code for the giving of notice of meetings; and
    c. Such plan of distribution shall be adopted upon approval of at least two-thirds (2/3) of the members having voting rights present or represented by proxy at such meeting.

IX. Close Corporation

a. Requirements to be classified as close corporation

i. The number of stockholder must not exceed 20.
ii. Issues stocks are subject to transfer restrictions such as right of first refusal or a right of preemption in favor of the stockholders or the corporation.
iii. The corporation shall not be listed in the stock exchange or its stocks should not be public offered.
iv. At least 2/3 of the voting stocks or voting rights are not owned or controlled by another corporation which is not a close corporation.

b. **Articles of incorporation of close corporation -** The articles of incorporation of a close corporation may provide for

i. A classification of shares or rights, the qualifications for owning or holding the same, and restrictions on their transfers, subject to the provisions of the following section;
ii. A classification of director into one (1) or more classes, each of whom may be voted for and elected solely by a particular class of stock; and
iii. Greater quorum or voting requirements in the meetings of stockholders or directors than those provided in this Code.

c. Additional Provisions in Articles of Incorporation of Close Corporation

i. The articles of incorporation of a close corporation may provide that the business of the corporation may provide that the business of the corporation shall be managed by the stockholders of the corporation rather than by a board of directors. So long as this provision continues in effect, no meeting of stockholders need be called to elect directors: Provided, That the stockholders of the corporation shall be deemed to be directors for the purpose of applying the provisions of this Code, unless the context clearly requires otherwise: Provided, further, That the stockholders of the corporation shall be subject to all liabilities of directors.
ii. The articles of incorporation may likewise provide that all officers or employees or that specified officers or employees shall be elected or appointed by the stockholders, instead of by the board of directors.

d. **Validity on Restriction on Transfer of Shares in a Close Corporation**

i. Restrictions on the right to transfer shares must appear in the articles of incorporation, in the bylaws, as well as in the certificate of stock; otherwise, the same shall not be binding on any purchaser in good faith. Said restrictions shall not be more onerous than granting the existing stockholders or the corporation the option to purchase the shares of the transferring stockholder may sell their shares to any third person.

e. **Effects if Issuance or Transfer of Stock in Breach of Qualifying Conditions**

i. If a stock of a close corporation is issued or transferred to any person who is not eligible to be a holder thereof under any provision of the articles of incorporation, and if the certificate for such stock conspicuously shows the qualifications of the persons entitled to be holders of record thereof, such person is conclusively presumed to have notice of the fact of the ineligibility to be a stockholder.
ii. If the articles of incorporation of a close corporation states the number of persons, not exceeding twenty (20), who are entitled to be stockholders of record, and if the certificate for such stock conspicuously states such number, and the issuance or transfer of stock to any person would cause the stock to be held by more than such number of persons, the person to whom such stock is issued of transferred is conclusively presumed to have notice of this fact.
iii. If a stock certificate of a close corporation conspicuously shows a restriction on transfer of the corporation has been issued or transferred has or is conclusively presumed to have notice of the fact that the stock in violation of such restriction, the transferee is conclusively presumed to have notice of the fact that the stock was acquired in violation of the restriction.

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iv. Whenever a person to whom stock of a close corporation has been issued or transferred has or is conclusively presumed under this section to have notice of: (1) the person's ineligibility to be a stockholder of the corporation; or (2) that the transfer of stock would cause the stock of the corporation to be held by more than the number of persons permitted under its articles of incorporation ; or (3) that the transfer violates a restriction on transfer of stock, the corporation may, at its option, refuse to register the transfer in the name of the transferee.
v. The provisions of subsection (iv) shall not be applicable if the transfer of stock, though contrary to subsections (i), (ii) or (iii), has been consented to by all stockholders of the close corporation, or if the close corporation has amended its articles of incorporation in accordance with this Title.
vi. The term "transfer", as used in this section, is not limited to a transferor for value.
vii. The provisions of this section shall not impair any right which the transferee may have to either rescind the transfer or recover the stock under any express or implied warranty.

f. **Agreement by Stockholders in a Close Corporation**
i. Agreements duly signed and executed by and among all stockholders before the formation and organization of a close corporation shall survive the incorporation and shall continue to be valid and binding between such stockholders, if such be their intent, to the extent that such agreements are consistent with the articles of incorporation, irrespective of where the provisions of such agreements are contained except those required by this Title to be embodied in said articles of incorporation.
ii. A written agreement signed by two (2) or more stockholders may provide that in exercising any voting right, the shares held by them shall be voted as provided or as agreed, or in accordance with a procedure agreed upon by them.
iii. No provision in a written agreement signed by the stockholders, relating to any phase of corporate affairs, shall be invalidated between the parties on the ground that its effect is to make them partners among themselves.
iv. A written agreement among some or all the stockholders in a close corporation shall not be invalidated on the ground that it relates to the conduct of the business and affairs of the corporation as to restrict or interfere with the discretion or powers of the board of directors: Provided, That such agreement shall impose on the stockholders who are parties thereto the liabilities for managerial acts imposed on directors by this Code.
v. Stockholders actively engaged in the management or operation of the business and affairs of a close corporation shall be held to strict fiduciary duties to each other and among themselves. The stockholders shall be personally liable for corporate torts unless the corporation has obtained reasonably adequate liability insurance.

g. Characteristics of close corporation
i. Stockholders may act as directors without need of election and therefore liable as directors.
ii. Stockholders involved in the management of the corporation are liable as directors.
iii. Quorum may be greater than mere majority.
iv. The corporate officers or employees may be elected or employed directly by the stockholders instead by the board of directors.
v. Transfers of stocks to others, which would increase the number of stockholders to more than the maximum are invalid.
vi. Corporate actuations may be binding even without a formal board meeting.
vii. Appraisal rights can be exercised regardless of existence of unrestricted retained earnings.
viii. Pre-emptive right is absolute and available to all stock issuances unless restricted by the articles of incorporation.
ix. Deadlocks are settled by SEC.

h. **Disqualified corporations to be classified as close corporation (I COME BSP)**
i. **I**nsurance companies
ii. **C**orporations vested with public interest
iii. **O**il companies
iv. **M**ining companies
v. **E**ducational institutions
vi. **B**anks
vii. **S**tock exchange
viii. **P**ublic utilities

i. Validity of restrictions on transfer of shares
i. Right of first refusal
ii. Right of first option

j. **Void or Prohibited restriction on transfer of shares**
i. Absolute prohibition on sale of shares of stocks

k. Preemptive rights of stockholders
i. It is absolute in nature and there are no exceptions. The preemptive right of stockholders in close corporations shall extend to all stock to be issued, including reissuance of treasury shares, or in payment or corporate debts, unless the articles of incorporation provide otherwise.

l. **Amendment of Articles of Incorporation**
i. Any amendment to the articles of incorporation which seeks to delete or remove any provision required by this Title or to reduce a quorum or voting requirement stated in said articles of incorporation shall require affirmative vote of at least two-thirds (2/3) of the outstanding capital, whether with or without voting rights, or of such greater proportion of shares as may be specifically provided in the articles of incorporation for amending, deleting or removing any of the aforesaid provisions, at a meeting duly called for this purpose.

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m. Appraisal rights of stockholders

i. It is exercisable for any reason. In addition and without prejudice to other rights and remedies available under this Title, any stockholder of a close corporation may, for any reason, compel the corporation to purchase shares held at fair value, which shall not be less than the par or issued value, when the corporation has sufficient assets in its books to cover its debts and liabilities exclusive of capital stock.

n. **Dissolution of a close corporation upon initiative of a stockholder**

i. Any stockholder of a close corporation may, by written petition to the Commission, compel the dissolution of such corporation whenever any acts of the directors, officers or those in control whenever any acts of the directors, officers, or those in control of the corporation are illegal, fraudulent, dishonest, oppressive or unfairly prejudicial to the corporation or any stockholder, or whenever corporate assets are being misapplied or wasted.

o. Deadlock in a close corporation

i. The SEC has the authority to break the deadlock of a close corporation.

ii. Nowithstanding any contrary provision in the close corporation's articles of incorporation, bylaws, or stockholders' agreement, if the directors or stockholders are so divided on the management of the corporation's business and affairs that the votes required for a corporate action cannot be obtained, with the consequence that the business and affairs that the votes required for that the business of the corporation can no longer be conducted to the advantage of the stockholders generally, the Commission, upon written petition by any stockholder, shall have the power to arbitrate the dispute. In the exercise of such power, the Commission shall have authority to make appropriate orders, such as: (a) cancelling or altering any provision contained in the articles of incorporation, bylaws, or any stockholders' agreement; (b) cancelling, altering or enjoining a resolution or act of the corporation or its board of directors, stockholders, officers, or other person party to the action; (d) requiring the purchase at their fair value of shares of any stockholder, either by the corporation regardless of the availability or unrestricted retained earnings in its, books or by the other stockholder; (e) appointing a provisional director; (f) dissolving the corporation; or (g) granting such other relief as the circumstances may warrant.

iii. **Provisional Director** - shall be an impartial person who is neither a stockholder nor a creditor of the corporation or any of its subsidiaries or affiliates, and whose further qualifications, if any, may be determined by the Commission. A provisional director is not a receiver of the corporation and does not have the title and powers of a custodian or receiver. A provisional director shall have all the rights and powers of a duly elected director, including the right to be notified of and to vote at meetings of directors until removed by order of the Commission or by all the stockholders. The compensation of the provisional director shall be determined by agreement between such provisional director and the corporation.

p. **When a Board Meeting is Unnecessary or Improperly Held**. - Unless the bylaws provide otherwise, any action taken by the directors of a close corporation without a meeting called properly and with due notice shall nevertheless be deemed valid if:

i. Before or after such action is taken, a written consent thereto is signed by all the directors; or

ii. All the stockholders have actual or implied knowledge of the action and make no prompt objection in writing; or

iii. The directors are accustomed to take informal action with the express or implied acquiescence of all the stockholders; or

iv. All the directors have express or implied knowledge of the action in question and none of them makes prompt objection in writing.

1. **Note:** An action within the corporate powers taken at a meeting held without proper call or notice is deemed ratified by a director who failed to attend, unless after having knowledge thereof, the director promptly files his written objection with the secretary of the corporation.

X. Merger and consolidation

a. Difference between merger and consolidation

i. **Merger** refers to a business combination whereby one or more existing corporations are absorbed by another corporation which survives and continues the combined business. (PNB + Allied Bank = PNB)

iii. **Consolidation** refers to a business combination whereby two or more existing corporations form a new corporation different from the combining corporation. (Equitable Bank + PCI Bank = Equitable-PCI Bank)

b. **Contents of Plan of Merger or Consolidation**

i. The names of the corporations proposing to merge or consolidate hereinafter referred to as the constituent corporations;

ii. The terms of the merger or consolidation and the mode of carrying the same into effect;

iii. A statement of the changes, if any, in the articles of incorporation of the surviving corporation in case of merger; and, in case of consolidation, all the statements required to be set forth in the articles of incorporation for corporations organized under this Code; and

iv. Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or desirable.

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b. Requisites of merger or consolidation

i. It must be approved by the board of each corporation by at least majority vote.
ii. It must be ratified by vote of stockholders representing at least 2/3 of outstanding capital stock or members.
iii. It must be approved by the Securities and Exchange Commission.
iv. It must be approved by the Philippine Competition Commission.

c. **Contents of Articles of Merger or Consolidation**

i. The plan of the merger or the plan of consolidation;
ii. As to stock corporations, the number of shares outstanding, or in the case of nonstock corporations, the number of members;
iii. As to each corporation, the number of shares or members voting for or against such plan, respectively;
iv. The carrying amounts and fair values of the assets and liabilities of the respective companies as of the agreed cut-off date;
v. The method to be used in the merger or consolidation of accounts of the companies;
vi. The provisional or pro forma values, as merged or consolidated, using the accounting method; and
vii. Such other information as may be prescribed by the Commission

d. Effectivity of merger or consolidation

i. Upon issuance by SEC of certificate approving the articles and plan of merger or consolidation

e. **Hearing on Illegal Merger or Consolidation**

i. If upon investigation, the Commission has reason to believe that the proposed merger or consolidation is contrary to or inconsistent with the provisions of this Code or existing laws, it shall set a hearing to give the corporations concerned the opportunity to be heard. Written notice of the date, time, and place of hearing shall be given to each constituent corporation at least two (2) weeks before said hearing. The Commission shall thereafter proceed as provided in this Code.

f. Effects of merger and consolidation

i. There is automatic transfer of assets and the liabilities of the absorbed corporation or constituent corporations which are dissolved to the merged corporation or constituted corporation.
ii. The absorbed or constituent corporations are ipso facto dissolved by operation of law without necessity of any further act or deed meaning the separate existence of the constituent corporations shall cease.
iii. It will neither prejudice the rights of creditors nor impair any lien of the creditor over the property of the absorbed corporations.
iv. It involves exchanges of properties, a transfer of the assets of the constituent corporations in exchange for securities in the new or surviving corporation but neither involves winding up of the affairs of the constituent corporations in the sense that their assets are distributed to the stockholders.

XI. Important Penalties for Violation of Revised Corporation Code

a. Unauthorized Use of Corporate Name; Penalties.

i. The unauthorized use of corporate name shall be punished with a fine ranging from Ten thousand pesos (₱10,000.00) to Two hundred thousand pesos (₱200,000.00).

b. Violation of Duty to Maintain Records, to Allow their Inspection or Reproduction; Penalties.

i. The unjustified failure or refusal by the corporation, or by those responsible for keeping and maintaining corporate records, to comply with Section s 45, 73, 92, 128, 177 and other pertinent rules and provisions of this Code on inspection and reproduction of records shall be punished with a fine ranging from Ten thousand pesos (₱10,000.00) to Two hundred thousand pesos (₱200,000.00), at the discretion of the court, taking into consideration the seriousness of the violation and its implications. When the violation of this provision is injurious or detrimental to the public, the penalty is a fine ranging from Twenty thousand pesos (₱20,000.00) to Four hundred thousand pesos (₱400,000.00).

c. Willful Certification of Incomplete, Inaccurate, False; or Misleading Statements or Reports; Penalties.

i. Any person who willfully certifies a report required under this Code, knowing that the same contains incomplete, inaccurate, false, or misleading information or statements, shall be punished with a fine ranging from Twenty thousand pesos (₱20,000.00) to Two hundred thousand pesos (₱200,000.00). When the wrongful certification is injurious or detrimental to the public, the auditor or the responsible person may also be punished with a fine ranging from Forty thousand pesos (₱40,000.00) to Four hundred thousand pesos (₱400,000.00).

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d. Independent Auditor Collusion; Penalties.

i. An independent auditor who, in collusion with the corporation's directors or representatives, certifies the corporation's financial statements despite its incompleteness or inaccuracy, its failure to give a fair and accurate presentation of the corporation's condition, or despite containing false or misleading statements, shall be punished with a fine ranging from Eighty thousand pesos (₱80,000.00) to Five hundred thousand pesos (₱500,000.00). When the statement or report certified is fraudulent, or has the effect of causing injury to the general public, the auditor or responsible officer may be punished with a fine ranging from One hundred thousand pesos (₱100,000.00) to Six hundred thousand pesos (₱600,000.00).

XII. **Powers of SEC under Revised Corporation Code**

a. Investigation and Prosecution of Offenses. - The Commission may investigate an alleged violation of this Code, or of a rule, regulation, or order of the Commission.
b. Administration of Oaths, Subpoena of Witnesses and Documents. - The Commission, through its designated officer, may administer oaths and affirmations, issue subpoena and subpoena duces tecum, take testimony in any inquiry or investigation, and may perform other acts necessary to the proceedings or to the investigation.
c. Cease and Desist Orders. - Whenever the Commission has reasonable basis to believe that a person has violated, or is about to violate this Code, a rule, regulation, or order of the Commission, it may direct such person to desist from committing the act constituting the violation.
d. Any person who, without justifiable cause, fails or refuses to comply with any lawful order, decision, or subpoena issued by the Commission shall, after due notice and hearing, be held in contempt and fined in an amount not exceeding Thirty thousand pesos (₱30,000.00). When the refusal amounts to clear and open defiance of the Commission's order, decision, or subpoena, the Commission may impose a daily fine of One thousand pesos (₱1,000.00) until the order, decision, or subpoena is complied with.
e. Administrative Sanctions. - If, after due notice and hearing, the Commission finds that any provision of this Code, rules or regulations, or any of the Commission's orders has been violated, the Commission may impose any or all of the following sanctions, taking into consideration the extent of participation, nature, effects, frequency and seriousness of the violation:
    i. Imposition of a fine ranging from Five thousand pesos (₱5,000.00) to Two million pesos (₱2,000,000.00), and not more than One thousand pesos (₱1,000.00) for each day of continuing violation but in no case to exceed Two million pesos (₱2,000,000.00);
    ii. Issuance of the permanent cease and desist order;
    iii. Suspension or revocation of the certificate of incorporation; and
    iv. Dissolution of the corporation and forfeiture of its assets under the conditions in Title XIV of this Code.

Provisions Applicable to One Person Corporation

1. **Definition of One Person Corporation.** A One Person Corporation is a corporation with a single stockholder.

2. **Who may become a One person Corporation**
    a. Natural person (Filipino or Foreigner)
    b. Trust established by a Trustor to a Trustee for the benefit of a beneficiary
    c. Estate of a deceased person

3. **Entities not allowed to form a One Person Corporation (LGBTQ-PPP-IN)**
    a. **L**icensed Professionals (CPA or Lawyers) for the purpose of exercising such profession except as otherwise provided under special laws
    b. Non-charted **G**overnment-owned and controlled corporations (GOCCs)
    c. **B**anks
    d. **T**rust entity/company
    e. **Q**uasi-banks
    f. **P**re-need
    g. **P**ublic entities
    h. **P**ublicly listed entities
    i. **I**nsurance company
    j. **N**on-bank financial institutions

4. **Minimum Capital Stock Not Required for One Person Corporation.** - A One Person Corporation shall not be required to have a minimum authorized capital stock except as otherwise provided by special law.

5. **Articles of Incorporation of One Person Corporation**. A One Person Corporation shall file articles of incorporation in accordance with the requirements under Section 14 of Revised Corporation Code. It shall likewise substantially contain the following:
(a) If the single stockholder is a trust or an estate, the name, nationality, and residence of the trustee, administrator, executor, guardian, conservator, custodian, or other person exercising fiduciary duties together with the proof of such authority to act on behalf of the trust or estate; and
(b) Name, nationality, residence of the nominee and alternate nominee, and the extent, coverage and limitation of the authority.

6. **Bylaws of One and General Information Sheet of Person Corporation** - The One Person Corporation is not required to submit and file corporate bylaws and General Information Sheet to SEC.

7. **Display of Corporate Name or SUFFIX of One Person Corporation.** - A One Person Corporation shall indicate the letters "OPC" either below or at the end of its corporate name.

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8. **Officers of One Person Corporation** - The single stockholder shall be the sole director and president of the One Person Corporation.

9. **Appointment of Treasurer, Corporate Secretary, and Other Officers.** - Within fifteen (15) days from the issuance of its certificate of incorporation, the One Person Corporation shall appoint a treasurer, corporate secretary, and other officers as it may deem necessary, and notify the Commission thereof within five (5) days from appointment. The single stockholder may not be appointed as the corporate secretary. A single stockholder who is likewise the self-appointed treasurer of the corporation shall give a bond to the Commission in such a sum as may be required: *Provided*, That the said stockholder/treasurer shall undertake in writing to faithfully administer the One person Corporation's funds to be received as treasurer, and to disburse and invest the same according to the articles of incorporation as approved by the Commission. The bond shall be renewed every two (2) years or as often as may be required.

10. **Special Functions of the Corporate Secretary in One Person Corporation**. - In addition to the functions designated by the One Person Corporation, the corporate secretary shall:
    a. Be responsible for maintaining the minutes book and/or records of the corporation;
    b. Notify the nominee or alternate nominee of the death or incapacity of the single stockholder, which notice shall be given no later than five (5) days from such occurrence;
    c. Notify the Commission of the death of the single stockholder within five (5) days from such occurrence and stating in such notice he names, residence addresses, and contact details of all known legal heirs; and
    d. Call the nominee or alternate nominee and the known legal heir to meeting and advise the legal heirs with regard to, among others, the election of a new director, amendment of the articles of incorporation, and other ancillary and/or consequential matters

11. **Nominee and Alternate Nominee of One Person Corporation**. - The single stockholder shall designate a nominee and an alternate nominee who shall, in the event of the single stockholder's death or incapacity, take the place of the single stockholder as director and shall manage the corporation's affairs. The articles of incorporation shall state the names, residence addresses and contact details of the nominee and alternate nominee, as well as the extent and limitations of their authority in managing the affairs of the One Person Corporation until the stockholder, by self determination, regains the capacity to assume such duties. In case of death or permanent incapacity of the single stockholder, the nominee shall act as director and manage the affairs of the One Person Corporation until the legal heirs of the single stockholder have been lawfully determined, and the heirs have designated one of them or have agreed that the estate shall be the single stockholder of the One Person Corporation. The alternate nominee shall sit as director and manage the One Person Corporation in case of the nominee's inability, incapacity, death, or refusal to discharge the functions as director and manager of the corporation, and only for the same term and under the same conditions applicable to the nominee.

12. **Change of Nominee or Alternate Nominee of One Person Corporation**. - The singe stockholder may, at any time, change its nominee and alternate nominee by submitting to the Commission the names of the new nominees and their corresponding written consent. For this purpose, the articles of incorporation need not be amended.

13. **Minute Book of One Person Corporation**. - A One Person Corporation shall maintain a minutes book which shall contain all actions, decisions, and resolutions taken by the One Person Corporation.

14. **Records in Lieu of Meetings of One Person Corporation.** - When action is needed on any matter, it shall be sufficient to prepare a written resolution, signed and dated by the single stockholder; and recorded in the minutes book of the One Person Corporation. The date of recording in the minutes for all purposes under this Code.

15. **Reportorial Requirements of One Person Corporation**. - The One Person Corporation shall submit the following within such period as the Commission may prescribe:
    a. Annual financial statements audited by an independent certified public accountant: *Provided,* That if the total assets or total liabilities of the corporation are less than Six hundred thousand pesos (₱600,000.00), the financial statements shall be certified under oath by the corporation's treasurer and president;
    b. A report containing explanations or comments by the president on every qualification, reservation, or adverse remark or disclaimer made by the auditor in the latter's report;
    c. A disclosure of all self-dealings and related party transactions entered into between the One Person Corporation and the single stockholder; and
    d. Other reports as the Commission may require.

    For the purpose of this provision, the fiscal year of a One Person Corporation shall be that set forth in its articles of incorporation or, in the absence thereof, the calendar year.
    The Commission may place the corporation under delinquent status should the corporation fail to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years.

16. **Liability of Single Shareholder in One Person Corporation.** - A sole shareholder claiming limited liability has the burden of affirmatively showing that the corporation was adequately financed. Where the single stockholder cannot prove that the property of the One Person Corporation is independent of the stockholder's personal property, the stockholder shall be jointly and severally liable for the debts and other liabilities of the One Person Corporation. The principles of piercing the corporate veil apply with equal force to One Person Corporations as with other corporations.

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17. **Conversion from an Ordinary Corporation to a One Person Corporation**. When a single stockholder acquires all the stocks of an ordinary stock corporation, the later may apply for conversion into a One Person Corporation, subject to the submission of such documents as the Commission may require. If the application for conversion is approved, the Commission shall issue a certificate of filing of amended articles of incorporation reflecting the conversion. The One Person Corporation converted from an ordinary stock corporation shall succeed the later and be legally responsible for all the latter's outstanding liabilities as of the date of conversion.

18. **Conversion from One Person Corporation to an Ordinary Stock Corporation**. - A One Person Corporation may be converted into an ordinary stock corporation after due notice to the Commission of such fact and of the circumstances leading to the conversion, and after compliance with all other requirements for stock corporations under this Code and applicable rules. Such notice shall be filed with the Commission within sixty (60) days from the occurrence of the circumstances leading to the conversion into an ordinary stock corporation. If all requirement a have been complied with, the Commission shall issue a certificate of amended articles of incorporation reflecting the conversion. In case of death of the single stockholder, the nominee or alternate nominee shall transfer the shares to the duly designated legal heir or estate within seven (7) days from receipt of either an affidavit of heirship or self-adjudication executed by a sole heir, or any other legal document declaring the legal heirs of the single stockholder and notify the Commission of the transfer. Within sixty (60) days from the transfer of the shares, the legal heirs shall notify the Commission of their decision to either wind up and dissolve the One Person Corporation or convert it into an ordinary stock corporation. The ordinary stock corporation converted from One Person Corporation shall succeed the latter and be legally responsible for all the latter's outstanding liabilities as of the date of conversion.

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CORPORATE ACTS WHICH REQURE AT LEAST MAJORITY VOTE OF THE BOD ALONE (EVP)

Corporate Act	Board of Directors	Salient Points
Election of officers *(Sec. 25, CC)*	Majority vote of all the members of the BOD	
Vacancies in BOD if NOT due to removal, expiration of the term or increase in number of directors *(Sec. 29, CC)*	Majority vote of remaining directors if quorum still exists	• If the directors do not constitute a quorum, stockholders have the right to elect
Power to acquire own shares *(Sec. 41, CC)*	Majority vote	• Provided that there is unrestricted retained earnings • Only for legislative purposes

CORPORATE ACTS WHICH REQUIRE AT LEAST MAJORITY VOTE OF THE BOD AND VOTE OF THE STOCKHOLDERS REPRESENTING AT LEAST MAJORITY OF THE OCS (FAM)

Corporate Act	Board of Directors	Stockholders	Salient Points
Fixing the issued Price of No-par value shares *(Sec. 62, last par., CC)*	Majority of quorum of BOD, if authorized by AOI or by-laws	Majority of OCS, if BOD is not authorized by the AOI	
Amendment or repeal of By-laws or Adoption of new By-laws *(Sec. 48, CC)*	Majority vote	Majority of OCS	Amendment may be made by the Board only after due delegation by the stockholders. Non-voting shares can vote
Management Contract *(Sec. 44, CC)*	Majority vote of BOD of both managing and managed corporation	Majority of OCS/members of both managing and managed corporation and in some cases 2/3 of OCS/members	

CORPORATE ACTS WHICH REQUIRE VOTE OF THE STOCKHOLDERS REPRESENTING AT LEAST MAJORITY OF THE OCS ALONE (FFAD)

Corporate Act	Stockholders	Salient Points
Fixing of compensation of directors *(Sec. 30, CC)*	Majority of OCS	• Reasonable per diems may be given • By-laws may provide for compensation • Limit: not more than 10% of the net income before income tax
Adoption of By-laws *(Sec. 46, CC)*	Majority of OCS/members	• Non-voting shares can vote
Election of **D**irectors/trustees *(Sec. 24, CC)*	Majority of OCS/members	• Candidates with the highest number of votes get elected • Cumulative voting: No. shares x No. of directors to be elected • Non-voting shares cannot vote
Fixing the issued Price of No-Par value shares *(Sec. 62, last par., CC)*	Majority of OCS	• Stockholders/Members shall vote if the BOD/BOT are not authorized by the Articles of Incorporation and the by-laws to fix the price

CORPORATE ACTS WHICH REQUIRE VOTE OF THE STOCKHOLDERS REPRESENTING AT LEAST 2/3 OF THE OCS ALONE (PARDS)

Corporate Act	Stockholders	Salient Points
Denial of **p**re-emptive right *(Sec. 39, CC)*	2/3 of OCS	• Only if the AOI or amendment thereto denies pre-emptive right • Denial extends to shares issued in good faith in exchange for property needed for corporate purposes or in payment of previously contracted debts
Delegation of the power to **A**mend, Repeal or Adopt New By-laws to BOD *(Sec. 48, CC)*	2/3 of OCS	• Delegation can be revoked by majority OCS • Non-voting shares cannot vote
Removal of Directors/Trustees *(Sec. 28, CC)*	2/3 of OCS/members	• Notice and statement of purpose are necessary • Must be made in a meeting called by the secretary on President's order or on written demand of majority of OCS • Non-voting shares cannot vote • Removal without cause cannot be used to deprive minority stockholders of their right of representation
Ratification of act of **d**isloyal director *(Sec. 34, CC)*	2/3 of OCS	
Ratification of a contract of **s**elf-dealing directors *(Sec. 32, CC)*	2/3 of OCS/members	• The contract must be fair and reasonable under the circumstances • Full disclosure of adverse interest of directors/trustees involved is necessary • Presence of director/trustee must be necessary to constitute quorum OR the vote of director/trustee must be necessary for the

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		approval of the contract

CORPORATE ACTS WHICH REQUIRE AT LEAST MAJORITY VOTE OF THE BOD AND VOTE OF STOCKHOLDERS REPRESENTING AT LEAST 2/3 OF THE OCS (ADAM-LI³ES)

Corporate Act	Board of Directors	Stockholders	Salient Points
Amendment of Articles of Incorporation	Majority vote	Vote or written assent of 2/3 of OCS/members	• Non-voting shares can vote • Appraisal right is available in certain cases • Effective upon approval by SEC, or date of filing if not acted upon within six months • Must be for a legitimate purpose
Dissolution of Corporation where creditors are not affected *(Secs. 118 and 119, CC)*	Majority vote	Majority vote	• See sections 117-112 • Non-voting shares can vote
Dissolution of Corporation where creditors are affected *(Secs. 118 and 119, CC)*	Majority vote	2/3 of OCS/members	• See sections 117-112 • Non-voting shares can vote
Adoption of plan of distribution of assets of non-stock corporation *(Sec. 95 [2], CC)*	Majority vote of trustees	2/3 of members having voting rights	
Merger or Consolidation *(Sec. 77, CC)*	Majority of BOD of constituent corporations	2/3 of OCS/members of constituent corporations	• Non-voting shares can vote • Appraisal right is available, except when the plan is abandoned • Any amendment to the plan may be made provided it is approved by majority vote of the board and 2/3 of OCS/members
Sale, **L**ease, Exchange, Mortgage, Pledge, Dispose of all or substantially all of corporate assets *(Sec. 40, CC)*	Majority vote	2/3 of OCS/members	• Majority of the board is sufficient if the transaction does not cover all or substantially all of the assets of the corporation • Non-voting shares can vote • Appraisal right is available • Notice is required • If sale is abandoned, director's action is sufficient, no need for ratification by stockholders
Increase or decrease of capital stock *(Sec. 38, CC)*	Majority vote	2/3 of OCS/members	• Meeting is required • Non-voting shares can vote • No appraisal right • Notice requirement • SEC prior approval Prior approval of the SEC is necessary for it is only from and after the approval by the SEC and the issuance by the SEC of a certificate of filing that the capital stock shall stand increased or decreased • Treasurer's sworn statement is necessary • No decrease of capital stock if it will prejudice right of creditors
Incur, Create, Increase Bonded Indebtedness *(Sec. 38, CC)*	Majority vote	2/3 of OCS/members	• Meeting is required • Non-voting shares can vote • No appraisal right • Notice is required • Registration of bonds with the SEC is necessary
Investment of Corporate Funds in another Corporation or Business or for any other purpose other than primary purpose *(Sec. 42, CC)*	Majority vote	2/3 of OCS/members	• Non-voting shares can vote • Appraisal right available • Notice is required • Investment in the secondary purpose is covered • Stockholder's ratification is not necessary if the investment is incidental to primary purpose

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Extension or shortening of corporate term *(Sec. 37, CC)*	Majority vote	2/3 of OCS/members	• Non-voting shares can vote • Appraisal right is available • Notice requirement • Effected through an amendment of the AOI
Issuance of **S**tock Dividends *(Sec. 43, CC)*	Majority of the quorum	2/3 of OCS/members	There must be unrestricted retained earnings

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Quizzer in Revised Corporation Code

1. It is an artificial being created by operation of law, having the right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence.
    a. Corporation
    b. Cooperative
    c. Partnership
    d. Joint Venture

2. The following are the attributes of a private corporation, **except**
    a. It is an artificial being.
    b. It is created by operation of law.
    c. It acquires juridical personality from the moment the SEC issues its certificate of registration.
    d. It requires not more than fifteen (15) incorporators or founders under RA 11232.
    e. Its owners are generally liable only up to the extent of their capital contribution.
    f. Its owners are generally allowed to transfer their interests even without the consent of the other owners.
    g. It enjoys the right of succession.
    h. It may exist in perpetuity under RA 11232 unless a fixed term is stated in the articles of incorporation.
    i. It has no powers, attributes and properties except those powers, attributes, and properties expressly authorized by law or incident to its existence.
    j. Its power to do business and manage its affairs is vested in the board of directors or board of trustees.
    k. It can only be legally dissolved with the consent of the state.
    l. It has no personality separate and distinct from its owners.

3. This theory which is recognized by Corporation Code states that a corporation is not in fact and in reality a person, but the law treats it as though it were a person by process of fiction, or by regarding it as an artificial person distinct and separate from its individual stockholders. It owes its existence to law and the extent of its existence, powers and liberties is fixed by its charter.
    a. Concession theory or fiat theory or government paternity theory or franchise theory
    b. Symbol theory
    c. Genessonchaft theory
    d. Realist or inherence theory
    e. Contract theory
    f. Theory of enterprise entity

4. How may a corporation be created under Philippine setting?
    a. In case of private corporation, by operation of general corporation law particularly the Corporation Code of the Philippines (BP 68).
    b. In case of public corporation, by law or enactment of special law.
    c. Either A or B.
    d. By mere consent of the contracting parties

5. As an artificial being, which of the following constitutional rights is **not** available to a corporation?
    a. Right to due process of law
    b. Right to equal protection of the law.
    c. Right against unreasonable searches and seizures
    d. Right against self-incrimination

6. Which of the following statements concerning the implications of being an artificial being of a corporation is **correct**?
    a. As a general rule, a corporation is not entitled to moral damages because, not being a natural person, it cannot experience physical suffering or sentiments like wounded feelings, serious anxiety, mental anguish and moral shock except when a corporation has a reputation that is debased, resulting in its humiliation in the business realm particularly in the case of libel or defamation.
    b. As a general rule, a corporation cannot be held liable for a crime because of impossibility of imposing the penal sanction of imprisonment and because a crime committed in the name of corporation is actually committed by the individuals who act for and in behalf of such corporation. However, it may become liable for fines to be imposed in the criminal action.
    c. Both A and B.
    d. Neither A nor B.

7. Which of the following corporate legal doctrines refers to the doctrine of separate juridical personality?
    a. It means that a corporation is a juridical entity with legal personality separate and distinct from those acting for and in its behalf and, in general, from the people comprising it; and that obligations incurred by the corporation, acting through its directors, officers and employees are its sole liabilities.
    b. It means that a stockholder is personally liable for the financial obligations of the corporation to the extent only of his unpaid subscription or that a stockholder's liability for corporate debts extends only up to the amount of his capital contribution.
    c. It means that the capital stock of a corporation or the assets of an insolvent corporation representing its capital is a trust fund reserved for the benefit of company's creditors.
    d. It means that the corporation has the capacity for continuous existence despite the death or replacement of its shareholders or members, for it has a personality separate and distinct from those who compose it.

8. The following are the advantages of forming a corporation, **except**
    a. The stockholder's limited liability on the obligation of the corporation.

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b. It has a strong juridical personality through continuity of existence.
c. It has a legal capacity to act and contract as a distinct unit in its own name.
d. Its management is centralized.
e. There is ease in transferability of shares of stocks.
f. It is subject to greater degree of governmental supervision and regulation.

9. The following are the disadvantages of forming a corporation, **except**
   a. There is high cost of formation and operations.
   b. It is subject to higher taxes or sometimes indirect double taxation.
   c. Stockholders have little voice in the conduct of the business.
   d. Its credit is weakened by the limited liability feature.
   e. It makes feasible gigantic financial undertakings due to numerous investors.

10. Which of the following legal principles **best** describes the strong juridical personality of a corporation?
    a. Limited liability rule
    b. Separate entity theory
    c. Business judgment rule
    d. Right of succession or continuity of existence

11. Are the stockholders, directors or officers personally liable for the liabilities of the corporation after the assets of the corporation are exhausted?
    a. Yes because they are considered to be general partners.
    b. No under all instances.
    c. Yes under all instances.
    d. No as a general rule unless exceptional cases warrant the piercing of the veil of corporate fiction.

12. What are the exceptional cases wherein the courts may pierce the veil of corporate fiction so that the stockholders, directors or officers will become personally liable for corporate debts?
    a. When the corporate entity is used to commit fraud or to justify a wrong or to defend a crime or to commit tax evasion. (Fraud cases)
    b. When the corporate entity is used as a mere alter ego, business conduit or instrumentality of a person or another entity. (Alter ego cases)
    c. When the corporate entity is used to defeat public convenience such as in case of labor case. (Defeat public convenience cases)
    d. When piercing of the corporate fiction is necessary to achieve justice or equity. (Equity cases)
    e. Any of the above.

13. Which of the following instances on itself alone may justify the court in piercing the veil of corporate fiction?
    a. The mere fact that one or more corporations are owned and controlled by a single stockholder.
    b. The mere fact that two corporations may be sister companies and that they may be sharing personnel and resources.
    c. The existence of interlocking directors, corporate officers and shareholders between the two corporations.
    d. The control of the corporation is used by the director to commit fraud or to defeat public convenience.

14. Which of the following statements concerning the prayer for piercing the veil of corporation fiction is **incorrect**?
    a. Piercing application is essentially a judicial prerogative.
    b. Piercing must be shown to be necessary and with factual basis.
    c. Piercing is an equitable remedy and may be awarded only in cases filed by a person with victim standing.
    d. Piercing is a substantive right provided by BP 68 available as a matter of right.

15. Which of the following refers to "**place of incorporation test or doctrine of incorporation test**" in determining the nationality of a corporation?
    a. It is the principal doctrine as enunciated in BP 68 which provides that a corporation is a national of the country under whose laws it has been organized and registered.
    b. It means that the nationality of a corporation is determined by the nationality of the majority of the stockholders on whom equity control is vested and it is normally used as war-time test or to determine the compliance with minimum requirement of Filipino ownership in industry reserved for Filipinos.
    c. It is a three-level relationship test by which the percentage of Filipino equity is computed in a corporation engaged in fully or partly nationalized areas of activities provided in the Constitution and other nationalization laws, in cases where corporate shareholders are present in the situation, by attributing the nationality of the second or even subsequent tier of ownership to determine the nationality of the corporate shareholder.

16. Which of the following statements best describes a **municipal corporation**?
    a. It is created by special law for the governance of a particular territory or local government unit.
    b. It is created by special law for public purpose or general welfare but performs some commercial functions or a corporation organized as a stock or nonstock corporation vested with functions relating to public needs, whether governmental or proprietary in nature and owned by the Government directly or through instrumentalities wither wholly or where applicable as in the case of stock corporations to the extent of at least 51% of its capital stock.
    c. It is created by operation of BP 68 but performs essential government functions because such function is being privatized by government. They are engaged in private business affected with public interest.
    d. It is created by operation of BP 68 and essentially performs commercial functions or for private interest.

17. Which of the following statements refers to a **lay corporation**?
    a. It is one organized for religious purposes.
    b. It is one established for charitable purposes.
    c. It is a religious organization which consists of only one member or corporator.
    d. It is a religious organization governed by board.
    e. It is one organized for a purpose other than a religion.

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f. It is a corporation created by mere lapse of time. It is a corporation with acknowledged personality inasmuch as it is an institution which antedated by almost a thousand years any other personality in Europe, and which existed when Grecian eloquence still flourished in Antioch and when idols were still worshipped in the temple of Mecca. It obtains juridical personality despite the absence of grant from state.

18. It is a corporation established for business or profit.
    a. Eleemosynary corporation
    b. Civil corporation
    c. Ecclesiastical corporation
    d. Lay corporation

19. It is a corporation which has capital stock divided into shares of stocks and are authorized to distribute to the holders of such shares dividends or allotments of the surplus profits on the basis of the shares held.
    a. Non-stock corporation
    b. Close corporation
    c. Open corporation
    d. Stock corporation

20. It is a corporation where **no** part of its income is distributable as dividends to its members and the capital of the corporation is **not** divided into shares of stocks.
    a. Stock corporation
    b. Non-stock corporation
    c. Open corporation
    d. Close corporation

21. Which of the following statements refers to a **domestic corporation**?
    a. It is one incorporated under the Philippine laws.
    b. It is one formed, organized or existing under any laws other than those of the Philippines and whose laws allow Filipino citizens and Filipino corporations to do business in its own country.
    c. It is one existing both in fact and law. It is a corporation organized in accordance with the requirements of law. Its juridical personality is not subject to the attack by the state.
    d. It is one existing in fact but not in law. It is a corporation that is formed where there exists a flaw in its incorporation but there is a colorable compliance with the requirements of law. Its juridical personality is subject to direct attack only by the state.

22. HONDA Philippines is fully owned by Japanese nationals. Its main office is located at Tokyo, Japan but it was incorporated under the provisions of the Corporation Code of the Philippines. It engages its business in the Philippines. What is the classification of the corporation under the Corporation Code?
    a. Resident corporation
    b. Foreign corporation
    c. Non-resident corporation
    d. Domestic corporation

23. Which of the following types of corporations is **not** required to file articles of incorporation to obtain juridical personality as a private corporation?
    a. Corporation by prescription
    b. De facto corporation
    c. Ostensible corporation
    d. De jure corporation

24. Which of the following does **not** have juridical personality as a corporation?
    a. Corporation by prescription
    b. De facto corporation
    c. Ostensible corporation or corporation by estoppel
    d. De jure corporation

25. It refers to a group of persons that assumes to act as a corporation knowing it to be without authority to do so, and enters into a transaction with a third person on the strength of such appearance. It has no juridical personality but the persons composing it will be liable like general partners, meaning prorata and subsidiarily, to third persons.
    a. De jure corporation
    b. Corporation be prescription
    c. Ostensible corporation or corporation by estoppel
    d. Open corporation

26. Which of the following statements refers to a **holding company or parent corporation**?
    a. It is a corporation which controls another as a subsidiary by the power to elect management. It is the one that holds stocks in other companies for purposes of control rather than for mere investment.
    b. It is a company which is subject to a common control of a mother or holding company and operated as party of a system or a corporation that is directly or indirectly, through one or more intermediaries, is controlled or is under the common control of another corporation.
    c. It is a corporation which is being controlled by the parent corporation.
    d. It is a corporation which is being influenced by the investor.

27. Which of the following statements refers to **promoters**?

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a. They are the corporators of a nonstock corporation.
b. They are the corporators of a stock corporation.
c. They are the persons who acting alone or with another take initiative in founding and organizing the business or enterprise of the issuer and receive consideration therefor.
d. They are the persons who agreed to take and pay for original and unissued shares of a corporation formed or to be formed.
e. They are persons who guaranteed on a firm commitment and/or declared best effort basis the distribution and sale of securities of any kind by another company.
f. They are those stockholders or members mentioned in the articles of incorporation as originally forming and composing the corporation and who are signatories thereof.

28. They refer to the persons mentioned in the Articles of Incorporation as originally forming and composing the corporation, having signed the Articles and acknowledged the same before notary public.
    a. Incorporators
    b. Corporators
    c. Stockholders
    d. Directors

29. It refers to the basic class of ordinary shares usually without extraordinary rights and privileges, and the owners thereof are entitled to pro-rata share in the profits of the corporation and in its asses upon dissolution and likewise in the management of its affairs. This type of shares which has complete voting rights is required to be present in every stock corporation.
    a. Preferred shares
    b. Common shares
    c. Special shares
    d. Privileged shares

30. It refers to a type of shares of stocks that is issued with some privileges in the distribution of dividends and net assets of the corporation.
    a. Preferred shares
    b. Common shares
    c. Special shares
    d. Privileged shares

31. Which of the following statements refers to cumulative preference shares?
    a. It is one which entitles the owner thereof to payment not only of current dividends but also back dividends not previously paid whether or not during the past year's dividends were declared or paid.
    b. It is one which grants the holders of such shares only to the payment of current dividends but not back dividends when and if dividends are paid to the extent agreed upon before any other stockholders are paid the same.
    c. It is one which entitles the shareholders to share with the common shares in excess distribution at some predetermined or at a fixed ratio as may be determined.
    d. It is one which entitles the shareholder thereof to receive the stipulated or fixed preferred dividends and no more.

32. If the preferred shares are classified as cumulative and participating as to dividends, when do the preferred stockholders become entitled to the cumulative and participating dividends?
    a. When the corporation recognizes net profit.
    b. When the corporation has credit balance in unrestricted retaining earnings.
    c. When the corporation's total assets exceed total liabilities.
    d. When there is declaration of dividends by board of directors.

33. Under the Corporation Code, what is the requirement for the issuance of preferred shares?
    a. Preferred shares of stock may be issued only with a stated par value.
    b. Preferred shares of stock may be issued either with par or stated value.
    c. Preferred shares of stock may be issued only with a stated value.
    d. Preferred shares of stock may be issued only with discounted value.

34. It refers to a type of shares of stocks issued with an arbitrary amount stated in its certificate of stock. This type share of stocks cannot be issued below that said face value appearing in the certificate of stock and stated in the Articles of Incorporation. Preferred stocks must always be classified as this type of stocks while common may or may not be this type of stocks.
    a. Par value shares
    b. No par value shares
    c. Issued value shares
    d. Present value shares

35. It refers to the arbitrary amount assigned to the share and is expressed in the certificate covering the share. The law does not provide for its minimum amount but it is fixed in the articles of incorporation. Once this amount is fixed, as a general rule, shares are not allowed to be issued below this amount. Otherwise, it will be a violation of trust fund doctrine.
    a. Par value
    b. Market value
    c. Liquidation value
    d. Issued or stated value

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36. It refers to a type of shares of stocks issued without an arbitrary amount stated in its certificate of stock but must have an issue price. Only common stocks may be classified as this type of shares of stocks while preferred stocks cannot be classified as this type of shares of stocks.
    a. Par value shares
    b. No par value shares
    c. Issued value shares
    d. Present value shares

37. What shares may be classified as **No-Par value shares of stocks**?
    a. Common stocks
    b. Preferred stocks
    c. Both common stocks and preferred stocks
    d. Neither common stocks nor preferred stocks

38. When **no-par value common shares** of stocks are issued, what is the minimum issue price?
    a. P1.00
    b. P10.00
    c. P5.00
    d. P2.00

39. What is/are the means by which the **issue price of no par value common value shares** is determined?
    a. It may be fixed in the articles of incorporation or by-laws.
    b. It may be fixed by the Board of Directors based on the authority given in the articles of incorporation.
    c. It may be fixed by stockholders representing at least a majority of the outstanding capital stock at a meeting duly called for the purpose.
    d. Any of the above.

40. Which of the following statements concerning **no-par value shares** is **false**?
    a. The entire consideration received by the corporation for its no-par value shares shall be treated as legal capital and shall not be available for distribution as dividends.
    b. The articles of incorporation must state the fact that it issued no par value shares as well as the number of said shares.
    c. Shares of capital stock issued without par value shall be deemed fully paid and nonassessable and the holder of such shares shall not be liable to the corporation or to its creditors in respect thereto.
    d. No-par value shares can be issued by any type of corporation.

41. Which is **correct** as regards to legal capital of par-value shares of stocks and no-par value shares of stocks?
    a. In case of par-value shares of stocks, the legal capital is the total par value of shares issued and subscribed.
    b. In case of no par-value shares of stocks, the legal capital is the entire consideration received.
    c. Both A and B
    d. Neither A nor B

42. These corporations are **not** allowed to issue no-par value common shares **(BLTBPIPO** under RA 11232), **except**
    a. **B**uildings and **L**oans association
    b. **T**rust companies
    c. **B**anks
    d. **P**ublic utilities
    e. **I**nsurance companies
    f. **P**reneed company
    g. **O**ther corporations authorized to obtain or access money from the public (whether publicly listed or not)
    h. Manufacturing, service, restaurant, real estate or merchandising companies

43. In the absence of provision in articles of incorporation and certificate of stock, what is the presumption of law as to different shares of stocks?
    a. Each type of share shall be equal in all respects to every other share.
    b. Preferred shares are non-voting.
    c. Common shares are non-voting.
    d. Redeemable shares are non-voting.

44. Which of the following shares are allowed to be classified as **shares without right to vote or shares with limited voting rights** in the articles of incorporation and stated in the certificate of stock?
    I. Redeemable shares II. Preferred shares III. Common shares
    a. I only
    b. I and III only
    c. II and III only
    d. I and II only

45. Where shall the **denial** of the stockholder's right to vote be provided for such denial to be valid?
    a. By-laws of corporation
    b. Articles of incorporation and certificate of stock
    c. Minutes of meetings
    d. Financial statements

46. The following are the fundamental corporate acts when **stocks classified as without voting or non-voting stocks or stocks with limited voting rights** are still allowed to vote or participate **(I^3AM SAD), except**
    a. **I**ncurring, creating or increasing bond indebtedness (bonds payable)
    b. **I**nvestments of corporate funds in another corporation or another business purpose other than stated in the Articles of Incorporation as primary and secondary purpose
    c. **I**ncrease or decrease of capital stock

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d. **A**mendment of Articles of Incorporation for legitimate purposes including but not limited to shortening or extending of corporate term.
e. **M**erger or consolidation of corporations
f. **S**ale, disposition, conveyance, pledge or mortgage of all or substantially all of corporate property or assets
g. **A**doption and amendment of by-laws
h. **D**issolution of the corporation, liquidation of the corporation or rehabilitation of the corporation
i. Approval of Management Contract and/or Issuance of Stock Dividends

47. The following are the corporate acts when **stocks classified as without voting or non-voting stocks or stocks with limited voting rights** are not allowed to participate, **(GRRADE), except**
    a. **G**ranting compensation to directors
    b. **R**emoval of a director
    c. **R**atification of disloyalty of a director or contract with self-dealing director or contract between corporations with interlocking director
    d. **A**pproval of Management Contract
    e. **D**istribution or declaration of Stock Dividends
    f. **E**lection of Board of Directors
    g. Merger and Consolidation of Corporations

48. Which of the following statements refers to redeemable preference shares?
    a. It is a share that is changeable by the stockholder from one class to another at a certain price and within a certain period.
    b. It is a share issued to those on some way interested in the company, for incorporating the company, or for services rendered in launching or promoting the welfare of the company.
    c. It is a share classified as such in the articles of incorporation and issued to organizers and promoters of a corporation in consideration of some supposed right or property such as special preference in voting rights and dividend payment. It is a type of share that is given with certain rights and privileges not enjoyed by the owners of the other stocks such as exclusive right to vote or be voted in the election of the board of directors.
    d. It is a type of share classified as such in the articles of incorporation which is issued by the corporation and which may be purchased or taken up by the corporation upon the expiration of a fixed period, regardless of the existence of unrestricted retained earnings in the books of the corporation as long as the corporation's total assets exceeds total liabilities after the redemption, and upon such other terms and conditions as may be stated in the articles of incorporation, which terms and conditions must also be stated in the certificate of stock representing said shares.

49. If founder's share classified as such in the Articles of Incorporation is given exclusive right to vote and be voted in the election of the board of directors, what is the maximum period or limit of that right?
    a. 10 years from the approval of SEC
    b. 5 years from the approval of SEC
    c. 3 years from the approval of SEC
    d. 2 years from the approval of SEC

50. It refers to a stock issued not in exchange for its equivalent value either in cash, property, share, stock dividends, or services. It resulted to overstatement of assets, overstatement of capital or understatement of liabilities of the corporation. The issuance of this type of shares of stocks is considered violation of trust fund doctrine.
    a. Watered stock
    b. Secret reserves
    c. Par value shares
    d. Over-issued stocks

51. It refers to a stock issued that resulted to understatement of assets, understatement of capital or overstatement of liabilities of the corporation. An entity might issue this stock for competitive reasons, to hide from other businesses that it is in a better financial position than appears in its financial statements.
    a. Watered stock
    b. Secret reserves
    c. Par value shares
    d. Over-issued stocks

52. It refers to those shares held by a third person to be released only upon the performance of a suspensive condition or the happening of a certain event contained in the agreement. It has **no** voting rights until the fulfillment of the suspensive condition.
    a. Watered stock
    b. Secret reserves
    c. Par value shares
    d. Escrow shares

53. It is a share of stocks which have been issued and fully paid for, but subsequently reacquired by the issuing corporation by purchase, redemption, donation or through some other lawful mean. The reacquisition of this type of shares must be supported by restriction of unappropriated retained earnings in order not to violate trust fund doctrine.
    a. Promotion share
    b. Founder's share
    c. Treasury share
    d. Convertible share

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54. These shares have **no** voting rights of whatsoever. They may be subsequently issued by the corporation at a price even below its par value as long as the price is reasonable without violation of trust fund doctrine because they are supported by restricted retained earnings at the time of its reacquisition by the corporation.
    a. Preferred shares
    b. Common shares
    c. Redeemable preference shares
    d. Treasury shares

55. Which of the following statements refers to the authorized capital stock?
    a. It refers to the amount fixed in the articles of incorporation that may be subscribed and paid by the stockholders of the corporation.
    b. It refers to the portion of the capital stock or total shares of stock issued to subscribers or stockholders, whether fully paid or partially paid, except treasury shares. It pertains to capital stock entitled to dividends or right to vote.
    c. It refers to the total amount of the capital that persons have agreed to take and pay for, which need not necessarily be, and can be more than, the par value of the shares.
    d. It refers to the portion of the authorized capital stock which has been both subscribed and paid.
    e. It refers to the amount equal to the aggregate par value of total shares issued and subscribed in case of par value shares or total consideration received in case of no par value shares and it cannot be returned to shareholders until dissolution.

56. It refers to the performance of conditions, acts, deeds, and writings by incorporators, and the official acts, certification or records, which give the corporation its existence.
    a. Incorporation
    b. Operation
    c. Dissolution
    d. Liquidation

57. Under the Revised Corporation Code, the following are the qualifications of incorporators or founders of a private corporation, **except**
    a. Any person, partnership, association or corporation, singly or jointly may become incorporators but not more than fifteen (15) in number may become incorporators.
    b. Majority must be residents of the Philippines in case of corporate aggregate and all must be of legal age.
    c. In stock corporations, each must own or subscribe to at least one share, while in nonstock corporations, members are not owners of shares of stocks, and their membership depends on terms provided in the articles of incorporation.
    d. Compliance with the required minimum ownership of Filipino or maximum ownership of foreigners in industries reserved to Filipinos as provided in the Constitution or Foreign Investment Act or Special Laws
    e. All incorporators must be Filipino citizens.

58. Which of the following statements concerning an incorporator is **correct**?
    a. An incorporator remains to be an incorporator even if he will later on cease to be a corporator or stockholder because being an incorporator is an accomplished fact.
    b. An incorporator is required to be a stockholder throughout the lifetime of the corporation.
    c. An incorporator is not required to be a stockholder or member at the time of incorporation.
    d. An incorporator is not allowed to become a director of the corporation.

59. Under the Revised Corporation Code, what is the life of a private corporation?
    a. It has maximum life of 50 years.
    b. It has maximum life of 20 years.
    c. It has maximum life of 30 years.
    d. It has perpetual existence unless its articles of incorporation provides for a specific term.

60. What is the period for renewal of term of a private corporation prior its term expiration?
    a. Within 3-year period
    b. Within 1-year period
    c. Within 2-year period
    d. Within 5-year period

61. Under the Revised Corporation Code, may the corporation with a fixed term whose term has expired file an application for revival of certificate of incorporation with SEC?
    a. No because the corporation is ipso facto dissolved by operation of law upon failure to renew the term within the deadline.
    b. Yes a corporation whose term has expired may apply with SEC for the revival of its certificate of incorporation and subject to all of its duties, debts, and liabilities existing prior to its revival.
    c. No in the absence of court order.
    d. Yes but only with the consent of the Congress of the Philippines.

62. What is the implied minimum authorized capital stock of an ordinary stock corporation?
    a. P50,000
    b. P15,000
    c. None
    d. P200,000

63. ART Inc. has an authorized capital stock of P160,000. What is the minimum subscribed capital stock?
    a. P20,000
    b. P30,000
    c. None
    d. P25,000

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64. TEN Inc. has authorized capital stock of P60,000 with actual subscription of P40,000. What is the minimum paid up capital?
    a. P10,000
    b. P5,000
    c. None
    d. P2,500

65. ART Inc. has authorized capital stock of P100,000 but the actual subscription is not given. What is the implied minimum paid up capital for the approval of its articles of incorporation?
    a. P20,000
    b. P25,000
    c. None
    d. P40,000

66. ABC Inc. has an authorized capital stock of P60,000. Under Revised Corporation Code, which of the following comply with the capital requirements of law for valid incorporation?
    a. Actual subscription of P24,000 and paid up capital of P5,200
    b. Actual subscription of P12,000 and paid up capital of P5,000
    c. Actual subscription of P15,000 and paid up capital of P3,750
    d. Any of the above

67. It refers to the document that defines the charter of relationships between the State and the corporation, the stockholder and the State, and between the corporation and its stockholders. It must be submitted to Securities and Exchange Commission (SEC) by the incorporators in order for the proposed corporation to obtain its juridical personality.
    a. By-laws
    b. Articles of Incorporation
    c. Organizational structure
    d. Mission-vision

68. The following matters shall generally be included in the articles of incorporation of private corporations to be submitted to SEC, **except**
    a. Name of the corporation
    b. Purpose clauses, and should distinguish the primary and secondary purposes, should the corporation have more than one purpose; a nonstock corporation shall not include a purpose which would change or contradict its nature
    c. Place of principal office within the Philippines
    d. Term of existence
    e. Names, nationalities and residences of the incorporators
    f. Number of directors or trustees
    g. Names, nationalities and residences of the persons who shall act as directors or trustees until the first regular directors or trustees are duly elected and qualified
    h. If stock corporation, the amount of authorized capital stock, number of shares, par value or no par value shares, original subscribers, amount subscribed and paid by each
    i. Penalties for violation of by-laws

69. Under Revised Corporation Code, for primary registration with the Securities and Exchange Commission, the following are the documents to be submitted by the proponents for the creation of domestic stock corporation, **except**
    a. Cover Sheet for Registration
    b. Articles of Incorporation
    c. By-Laws
    d. Treasurer's Affidavit showing the compliance with minimum subscription and paid-up capital including the certificate of deposit and letter of authority to examine bank deposit

70. Which is **correct** as to the form of articles of incorporation to be filed to SEC under Revised Corporation Code?
    a. Under Revised Corporation Code, the articles of incorporation may be signed and acknowledged by all the incorporators.
    b. Under Revised Corporation Code, the articles of incorporation may be authenticated by all the incorporators.
    c. Both A and B
    d. Neither A nor B

71. Is **Electronic Filing** of articles of incorporation and applications for amendments thereto with SEC allowed?
    a. Yes
    b. No
    c. Never
    d. Maybe

72. The purpose clause must specify the corporation's primary purpose and which are secondary which need **not** be related to the main purpose. The significance or reasons of purpose clause in the articles of incorporation are as follows, **except**
    a. It confers as well as limits the powers which a corporation may exercise.
    b. It informs prospective investors and creditors of the kind of business the corporation deals with.
    c. It notifies the management of the limits of its actions.
    d. It allows the corporation to engage in any type of business or transactions.

73. Under the 1987 Constitution, which of the following industry or business or activity of national interest is **exclusively** reserved for Filipinos or Corporation required to be **100% owned by Filipinos**?
    a. Ownership and management of mass media
    b. Advertising industry
    c. Operation of public utility
    d. Educational institution
    e. Co-production, joint venture or production sharing agreements with Filipinos involving exploration and development of natural resources

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f. Ownership of private land

74. It refers to the document issued by the SEC to a newly formed corporation which evidenced the existence of the juridical personality of the corporation. It is also known as the primary franchise of a corporation.
    a. Certificate of incorporation or registration also known as primary franchise
    b. Secondary license
    c. Secondary franchise
    d. Articles of incorporation

75. It refers to the document issued by appropriate government agencies as a permit to a newly formed corporation to engage in a particular industry. It is issued in order for those corporations to legally transact their business.
    a. Certificate of incorporation or registration or primary franchise
    b. Secondary license or secondary franchise
    c. Articles of incorporation
    d. By-Laws

76. What is required vote for fundamental amendment of the articles of incorporation?
    a. At least majority vote of the board of directors/trustees provided in Articles of Incorporation and the vote or written assent of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock or the vote or written assent of at least two-thirds (2/3) of the members if it be a non-stock corporation.
    b. At least majority vote of the board of directors/trustees provided in Articles of Incorporation and the ratification of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock or the ratification of at least two-thirds (2/3) of the members if it be a non-stock corporation.
    c. At least majority vote of the board of directors/trustees provided in Articles of Incorporation and the vote or written assent of the stockholders representing at least majority of the outstanding capital stock or the vote or written assent of at least majority of the members if it be a non-stock corporation.
    d. At least majority vote of the board of directors/trustees provided in Articles of Incorporation and the ratification of the stockholders representing at least majority of the outstanding capital stock or the ratification of at least majority of the members if it be a non-stock corporation.

77. What is required vote for simple amendment of the articles of incorporation for legitimate purposes?
    a. At least majority vote of the board of directors/trustees provided in Articles of Incorporation and the vote or written assent of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock or the vote or written assent of at least two-thirds (2/3) of the members if it be a non-stock corporation.
    b. At least majority vote of the board of directors/trustees provided in Articles of Incorporation and the ratification of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock or the ratification of at least two-thirds (2/3) of the members if it be a non-stock corporation.
    c. At least majority vote of the board of directors/trustees provided in Articles of Incorporation and the vote or written assent of the stockholders representing at least majority of the outstanding capital stock or the vote or written assent of at least majority of the members if it be a non-stock corporation.
    d. At least majority vote of the board of directors/trustees provided in Articles of Incorporation and the ratification of the stockholders representing at least majority of the outstanding capital stock or the ratification of at least majority of the members if it be a non-stock corporation.

78. When shall the amendments of the articles of incorporation take effect?
    a. Upon approval by the SEC.
    b. Upon lapse of six (6) months from the date of filing to the SEC if there is no action by SEC for a cause not attributable to the corporation.
    c. Either A or B
    d. Neither A nor B

79. The following are matters in articles of incorporation that are beyond amendment because they are accomplished facts at the time of incorporation, **except**
    a. Names of the incorporators, incorporating directors/trustees, original subscribers and their subscribed and paid-up capital
    b. The treasurer-in-trust elected by the original subscribers.
    c. Members who contributed to the initial capital of a nonstock corporation.
    d. Witnesses and the acknowledgement thereof
    e. Purpose clause and name of corporation

80. As a general rule, who is the real party-in-interest entitled to question any amendment in the articles of incorporation or by-laws?
    a. Shareholder or member
    b. Creditor
    c. Any third person
    d. Customer

81. Which is the primary government agency authorized to approve or reject the amendment in the articles of incorporation of a corporation?
    a. Securities and Exchange Commission
    b. Department of Trade and Industry
    c. Bureau of Internal Revenue
    d. Department of Finance

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82. The following are the grounds when articles of incorporation/or its amendment may be rejected or disapproved by Securities and Exchange Commission, **except**
    a. The Articles of Incorporation or any amendment thereto does not substantially comply with the form prescribed by Securities and Exchange Commission.
    b. The required percentage of ownership of the capital stock to be owned by Filipino citizens has not been complied with.
    c. The treasurer's affidavit concerning the amount of capital stock subscribed and or paid is false.
    d. The purpose of the corporation is patently illegal, immoral, unconstitutional or contrary to government rules and regulations.
    e. If a favorable recommendation of the appropriate government agency does not accompany the submitted amendment by banks, banking and quasi-banking institutions, building and loan associations, trust companies and other financial intermediaries, insurance companies, public utilities, educational institutions, and other corporations governed by special laws.
    f. The amendment of the articles of incorporation was approved only by at least majority of the board of directors/trustees and vote or written assent by at least 2/3 of stockholders or members but the unanimous vote of stockholders or members was not met.

83. The following corporate names are **not** allowed to be used by a proposed corporation, **except**
    a. Names that are identical or deceptively or confusingly similar to that of any existing corporation or to any other name protected by law.
    b. Names that are deceptive, confusing and contrary to law.
    c. Names that are contrary to moral, good customs, public order or public policy.
    d. Names similar to that of the founder.

84. Under the Revised Corporation Code, the addition of which will make the corporation distinguishable?
    a. If the name of the corporation contains the word "corporation", "company", "incorporated", "limited", or an abbreviation of one of such words.
    b. If the name of the corporation contains Punctuations, articles, conjunctions, contractions, prepositions, abbreviations, different tenses, spacing, or number of the same word or phrase.
    c. Either A or B
    d. Neither A nor B

85. Under the SEC Revised Guidelines, the corporate name shall contain any of the following words, **except**
    a. Corporation
    b. Corp.
    c. Incorporated
    d. Inc.
    e. Ltd.

86. Which of the following statements is correct under the Revised Corporation Code?
    a. A person or group of persons may ask SEC for verification of intended corporate name prior to submission of Articles of Incorporation and By-laws and after SEC's verification, ask for reservation of corporate name.
    b. The corporation shall be required to make an undertaking to change the name of corporation immediately upon receipt of notice from SEC that another corporation, partnership or person has acquired a prior right to the use of such name.
    c. The SEC has the power to summarily order the corporation to immediately cease and desist from using name that (1) is not distinguishable, (2) is already protected by law, or (3) contrary to law, rules and regulations.
    d. All of the above.

87. When a change in the corporate name is approved, the SEC shall issue an amended certificate of incorporation under the amended name. What is the effect of the mere change of the corporate name approved by SEC?
    a. It will result to dissolution of the previous corporation.
    b. It results to the creation of a new corporation.
    c. It has no effect on the identity of the corporation, or on its property, rights or liabilities.
    d. It will extinguish all the liabilities of the said corporation.

88. When does a private corporation formed under the Corporation Code obtain its corporate existence or juridical personality?
    a. From the date of consent of the incorporators to the articles of incorporation.
    b. From the date of submission of the articles of incorporation to the SEC.
    c. From the date of submission of the by-laws to the SEC.
    d. From the date of issuance by the SEC of the certificate of incorporation under SEC's official seal.

89. When does a public corporation obtain its corporate existence or juridical personality?
    a. From the date of the effectivity of the law creating such public corporation or the date stated in the said law for obtaining juridical personality.
    b. From the date of the signature of the president of the said law.
    c. From the date of debates of Congress.
    d. From the date of the passage of the bill by the Congress into law.

90. The following are the conditions non-compliance of which will prevent the legal existence of a corporation, **except**
    a. Filing of the articles of incorporation with the SEC or issuance of the certificate of incorporation by the SEC.
    b. The minimum number of 5 incorporators required by the Corporation Code
    c. The legal requirements that 25% of the authorized capital stock must be subscribed and 25% thereof paid.
    d. Filing of the by-laws with the SEC

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91. It refers to a corporation which actually exists both in fact and in law. It has complied with all the requirements of law and therefore its juridical personality is not subject to the direct attack by the state through quo warranto proceedings.
    a. De jure corporation
    b. Corporation by estoppel or ostensible corporaton
    c. De facto corporation
    d. Corporation by prescription

92. It refers to a corporation which actually exists for all practical purposes as a corporation but which has no legal right to corporate existence as against the State since it has not complied with all the formalities or requirements provided by law. This corporation has a corporate existence but its juridical personality may be directly attacked by the state through quo warranto proceedings.
    a. De jure corporation
    b. Corporation by estoppel or ostensible corporation
    c. De facto corporation
    d. Corporation by prescription

93. The following are the requisites of a de facto corporation, **except**
    a. A valid law under which the corporation is organized
    b. An attempt in good faith to incorporate
    c. An assumption of corporate powers
    d. Absence of articles of incorporation and certificate of registration

94. What is the status of contracts entered into by a de facto corporation?
    a. Null and void and may be attacked by pointing the technical defects of the de facto corporation.
    b. Voidable on the part of the other party.
    c. Unenforceable against the corporation.
    d. Valid and binding to protect members of the public who deal in good faith with a corporation who seems to be properly authorized.

95. Who has the legal standing to attack the juridical personality of a private corporation?
    a. The state through Solicitor General
    b. Competing corporation
    c. Stockholders of private corporation
    d. Creditors of private corporation

96. How may the right to exercise corporate powers or the corporate existence of a De Facto Corporation be attacked?
    a. Directly only by state through Solicitor General in Quo Warranto Proceedings
    b. Only directly by creditors in a civil case
    c. Only directly by Fiscal in a criminal case
    d. Either directly or collaterally in a private suit to which such corporation may be a party

97. Which of the following instances may result to a defacto corporation?
    I. Absence of Certificate of Registration
    II. Absence of or Failure file Articles of Incorporation
    III. Absence of or Failure to file Corporate By-Laws
    IV. The percentage of Filipino ownership of the capital stock required for the business is less than what is prescribed by law but the Certificate of Registration has already been issued by SEC.
    V. The Articles of Incorporation fails to state all the matters required by the Code or defect in the execution of papers or acknowledgement but the Certificate of Registration has already been issued by SEC.
    VI. The name of the corporation closely resembles that of a pre-existing corporation that it will tend to deceive the public but the Certificate of Registration has already been issued by SEC.
    VII. Majority of the incorporators are not residents of the Philippines but the Certificate of Registration has already been issued by SEC.
    a. IV, V, VI and VII
    b. IV and V
    c. I, II, III, VI, and VII
    d. I, II, III and IV

98. What is the liability of officers and directors of a de facto corporation to creditors?
    a. They are liable only up to the extent of their subscription even they acted in bad faith.
    b. They are liable only up to the extent of their subscription unless they acted in bad faith.
    c. They are not liable.
    d. They are liable like general partners meaning prorata and subsidiarilly.

99. It refers to all persons who assume to act as a corporation knowing it to be without authority. It has no juridical personality. It has no corporate existence and is not considered an artificial being in contemplation of BP 68.
    a. De facto corporation
    b. De jure corporation
    c. Corporation by estoppel or ostensible corporation
    d. Corporation by nature

100. What is the nature of liability of officers and directors of corporation by estoppel also known as ostensible corporation to the contracts they entered into in behalf of such entity?
    a. They are liable only up to the extent of their subscription even they acted in bad faith.
    b. They are liable only up to the extent of their subscription unless they acted in bad faith.
    c. They are not liable.
    d. They are liable like general partners meaning prorata and subsidiarilly.

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101. What is the status of contract entered into between an ostensible corporation/corporation by estoppel and another person?
    a. Null and void because of lack of juridical capacity of the ostensible corporation
    b. Voidable on the part of the other person
    c. Unenforceable against the persons composing the ostensible corporation
    d. Valid and binding by reason of estoppel on both parties

102. In case of contract entered into by an ostensible corporation or corporation by estoppel, which is **correct**?
    a. When such ostensible corporation is sued on any transaction entered by it as a corporation or on any tort committed by it as such, it shall not be allowed to use as defense its lack of corporate personality.
    b. When persons entered into a contract or obligation with ostensible corporation as such, such persons cannot resist performance of the obligation on the ground that there was in fact no corporation.
    c. Both A and B.
    d. Neither A nor B.

103. What is the mandatory period for a newly formed corporation to formally organize and to commence business transaction from the date of its incorporation to prevent automatic dissolution of the corporation?
    a. 5 years
    b. 6 years
    c. 4 years
    d. 2 years

104. What is the effect if a corporation does **not** formally organize and commence the transaction of its business or the construction of its works within five (5) years from the date of its incorporation or issuance of certificate of registration by SEC under SEC's official seal for causes within the corporation's control?
    a. The corporation is ipso facto dissolved by operation of law.
    b. That shall be a non-automatic ground for suspension or revocation of corporate charter or corporate dissolution making such entity a de facto corporation.
    a. The corporation is considered de facto corporation.
    b. The corporation shall be criminally liable.

105. What is the effect if a corporation has commenced the transaction of its business within five (5) years from the date of its incorporation but subsequently becomes continuously **inoperative** for a period of at least five (5) years?
    a. The corporation is ipso facto dissolved by operation of law.
    b. That shall be a non-automatic ground for suspension or revocation of corporate charter or corporate dissolution making such entity a de facto corporation.
    c. The corporation is considered an ostensible corporation.
    d. The corporation shall be criminally liable.

106. Under the Revised Corporation Code, it refers to a corporation that becomes continuously inoperative for a period of at least five (5) years after its formal organization within the period provided by law.
    a. Delinquent corporation
    b. Deficient corporation
    c. Delayed corporation
    d. Defaulting corporation

107. Under the Revised Corporation Code, what is the period allowed by law to a delinquent corporation to resume its operation from the notice given by SEC in order for SEC to lift the delinquency status of such delinquent corporation?
    a. Within 2 years
    b. Within 1 year
    c. Within 3 years
    d. Within 5 years

108. What is the policy-making or governing body of a private corporation?
    a. General partners
    b. Board of Directors/Trustees
    c. General manager
    d. Council of elders

109. Under Revised Corporate Code, the following are the qualifications of directors of a stock corporation, **except**
    a. He must own at least one share of the capital stock of the corporation.
    b. He must be of legal age.
    c. Majority must be residents of the Philippines.
    d. They must be not more than 15 directors.
    e. Compliance with the required minimum ownership of Filipino or maximum ownership of foreigners in industries reserved to Filipinos
    f. He must be an incorporator of the corporation.

110. Under Revised Corporation Code, he refers to a person who, apart from shareholdings and fees received from the corporation, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out the responsibilities as a director.
    a. Independent director
    b. Provisional director
    c. Disloyal director
    d. Rehabilitation receiver

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111. Under Revised Corporation Code, what is minimum number of Independent Directors in corporations vested with public interest?
    a. At least 20% of the directors
    b. At least 10% of the directors
    c. At least 25% of the directors
    d. At least 1/3 of the directors

112. Under Revised Corporation Code, the following are the corporations vested with public interest that are required to have independent directors in its Board of Directors, **except**
    a. Corporations covered by Section 17.2 of "Securities Regulation Code" namely those whose securities are registered with SEC, corporations listed with an exchange (PSE) or with assets of at least P50,000,000 and having 200 or more shareholders, each holding at least 100 shares of a class of its equity shares.
    b. Banks and quasi-banks, nonstock savings and loan associations, pawnshops, corporations engaged in money service business, preneed, trust and insurance companies, and other financial intermediaries
    c. Other corporations engaged in business vested with public interest similar to the above, as may be determined by the SEC, after taking into account relevant factors which are germane to the objective and purpose of requiring the election of an independent director, such as the extent of minority ownership, type of financial products, or securities issued or offered to investors, public interest involved in the nature of business operations, and other analogous factors.
    d. Closely-held corporation or family-owned corporation or One Person Corporation (OPC).

113. May the articles of incorporation and corporate by-laws provide for additional qualifications as a director in addition to the qualifications stated by BP 68?
    a. No because it violates the provision of Corporate Code
    b. Yes even if it is violative of the provision of Corporate Code
    c. Yes provided the additional qualifications are reasonable and not contrary to Corporation Code
    d. Never.

114. Which of the following may become a director of a corporation?
    a. Creditor of the corporation
    b. Resident Filipino Minor stockholder
    c. Nonresident Foreign stockholder
    d. Nonresident Filipino Insane stockholder

115. Which of the following statements is **incorrect**?
    a. Incorporators are required to be stockholders only at the time of incorporation but directors must be stockholders at the time of their term or tenure.
    b. Any provision in the by-laws giving a stockholder a permanent seat in the Board of Directors is null and void.
    c. Any provision in the by-laws authorizing the board of director to remove a director is null and void.
    d. Any provision requiring a guaranteed sit to a president of a foundation even without election in the board of trustees of a nonstock corporation is valid.

116. What is the maximum term of office of directors of a stock corporation?
    a. Term of two years but he may continue to serve until their successors are elected and qualified.
    b. Term of three years but he may continue to serve until their successors are elected and qualified.
    c. Term of one year but he may continue to serve until their successors are elected and qualified.
    d. Term of four years but he may continue to serve until their successors are elected and qualified.

117. Which of the following statements is **correct**?
    a. Term refers to the time during which the officer may claim to hold office as of right and fixes the interval after which the several incumbents shall succeed one another.
    b. Tenure represents the period during which the incumbent actually holds office.
    c. Both A and B.
    d. Neither A nor B.

118. It refers to that time from the lapse of one year from a stockholder's or member's election to the Board and until his successor's election and qualification. It is not part of the director's original term of office nor is it a new term.
    a. Hold-over period
    b. Tenure of office
    c. Term of office
    d. Employment period

119. What is the status of contract entered into by the directors of a corporation during the hold-over period?
    a. Voidable
    b. Unenforceable
    c. Null and void
    d. Valid

120. Which of the following statements concerning number of directors/trustees of a corporation is **false**?
    a. In a stock corporation, it must not be less than five nor more than fifteen.
    b. In ordinary non-stock corporation, the board of trustees must be at least 5 but may be more than 15 in number.
    c. Trustees of nonstock educational corporation shall be 5 or 10 or 15.
    d. In a corporation sole, the number of directors is at least 5.

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121. What is the quorum or required number of present stockholders for validity of election of board of directors in a stock corporation?
    a. Owners of at least majority of the outstanding capital stock allowed to vote.
    b. Owners of at least majority of the outstanding capital stock.
    c. Owners of at least 100% of the outstanding capital stock.
    d. Owners of at least 25% of the outstanding capital stock.

122. It is defined as a method of concentrating votes devised to give sufficient opportunity to minority shareholders to secure representation in the board. It is the manner of voting required by the Corporation Code for election of board of directors in a stock corporation.
    a. Straight voting
    b. Cumulative voting
    c. Participative voting
    d. Simple voting

123. It is defined as method of voting wherein a member can only cast one vote per share for each director.
    a. Straight voting
    b. Cumulative voting for one candidate
    c. Cumulative voting by distribution
    d. Members of non-stock corporations may cast as many votes as there are trustees elected but may cast not more than one vote for one candidate.

124. It is the manner of voting for election of board of trustees in a non-stock corporation.
    a. Straight voting
    b. Cumulative voting for one candidate
    c. Cumulative voting by distribution
    d. Members of non-stock corporations may cast as many votes as there are trustees elected but may cast not more than one vote for one candidate.

125. Which of the following statements concerning the election of directors/trustees is **false**?
    a. The election must be by ballot if requested by any voting member or stockholder.
    b. The candidates receiving the higher number of votes shall be declared elected and a majority vote is not necessary as long as there is a quorum during the election.
    c. Delinquent stocks may be voted.
    d. At any meeting of stockholder or members called for the election of directors or trustees, there must be present either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock or majority of members entitled to vote.

126. Under cumulative voting, the formula to determine the number of shares needed to elect a single director is as follows: (S/(D+1)) + 1 wherein S=total number of shares voting while D=numbers of directors to be elected. If there are 1,000 outstanding voting shares in the corporation and five directors will be elected, and all the shares are present and are going to vote, what is the minimum required number of voting shares to elect one director? **(1,000 / (5+1)**
    a. 167 voting shares
    b. 201 voting shares
    c. 151 voting shares
    d. 251 voting shares

127. Under cumulative voting, the formula to determine the number of shares needed to elect a desired number of directors is as follows: (S(Desired Number of Directors) +1)/ (D+1) wherein S=total number of shares voting while D=numbers of directors to be elected. If there are 1,000 outstanding voting shares in the corporation and five directors will be elected, and all the shares are present and are going to vote, what is the minimum required number of voting shares necessary to elect two directors? **(2 x (1,000/ (5+1))**
    a. 334 voting shares
    b. 402 voting shares
    c. 302 voting shares
    d. 501 voting shares

128. Under cumulative voting, what is the maximum number of sits in the 5-sit Board of Directors will a majority stockholder be assured if he owns 68 shares out of 100 outstanding shares? D1=((D+1)x(S1-1))/S wherein S=total number of shares voting while D=numbers of directors to be elected while S1=refers to the numbers of shares held by a majority stockholder and D1=desired sits in the Board
    a. 4 sits
    b. 3 sits
    c. 2 sits
    d. 5 sits

129. What is the effect if the election of Board of Directors does **not** result to completely elected directors?
    a. The election is void.
    b. The election would still be valid and the directors, though incomplete, can still perform their functions provided that a quorum remains.
    c. The corporation shall be deemed dissolved.
    d. That will be a ground for automatic dissolution.

130. If a stockholders' meeting was called but the directors were **not** elected during the meeting, the meeting can be
    a. Adjourned to a definite day only
    b. Adjourned sine die or indefinitely only
    c. Either A or B.
    d. Neither A nor B.

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131. Under the Revised Corporation Code, what is the period for reporting to SEC of non-holding of elections of directors/trustees and the reasons therefore?
    a. within 30 days from the date of the scheduled election
    b. within 20 days from the date of the scheduled election
    c. within 10 days from the date of the scheduled election
    d. within 40 days from the date of the scheduled election

132. Under the Revised Corporation Code, what is the latest period for the holding of new election in case of non-holding of elections of directors/trustees?
    a. It shall not be later than 60 days from the scheduled date or original date.
    b. It shall not be later than 50 days from the scheduled date or original date.
    c. It shall not be later than 40 days from the scheduled date or original date.
    d. It shall not be later than 30 days from the scheduled date or original date.

133. It refers to any controversy or dispute involving title or claims to any elective office in a stock or nonstock corporation, the validation of proxies, the manner and validity of elections, and the qualifications of candidates, including the proclamation of winners, to the office of directors, trustee or other officer directly elected by the stockholders in a close corporation or by members of a nonstock corporation.
    a. Election contest
    b. Intracorporate dispute
    c. Intercorporate distpute
    d. Civil case

134. Where shall complaints involving election contests be filed?
    a. Securities and Exchange Commission
    b. Regional Trial Court designated as special commercial court
    c. Municipal Trial Court
    d. Court of Tax Appeals

135. In the absence of quorum stipulated in the articles of incorporation, what is required quorum for the validity of the meeting conducted by Board of Directors regarding a corporate act or act of administration or management?
    a. At least majority of the number of directors as fixed in the articles of incorporation
    b. At least majority of the number of directors filled up.
    c. At least 2/3 of the number of directors as fixed in the articles of incorporation.
    d. At least 2/3 of the number of directors filled up.

136. For the validity of the decision of the Board of Directors regarding corporate acts or acts of administration, what is the required vote?
    a. At least majority of the number of directors as fixed in the articles of incorporation
    b. At least majority of the number of directors filled up.
    c. At least 2/3 of the number of directors as fixed in the articles of incorporation.
    d. At least majority of the present members of board of directors in a meeting where there is a quorum.

137. How must the contracts or acts of a corporation be made to be binding against it?
    a. It must be made by the Board of Directors.
    b. It must be made by a corporate officer duly authorized by the board.
    c. It must be made by an individual director even not in the ordinary course of authorized duties.
    d. Either A or B.

138. What is the number of vote of each director of a corporation regarding act of management of corporation?
    a. One vote for each director
    b. It is dependent upon the stocks owned by a director.
    c. None
    d. Five votes for each director

139. What are the theories about the source of power of the Board of Directors/Trustees?
    a. Theory of original power which means that the source of the power comes directly from the law.
    b. Theory of delegated power which means that the power is derived or delegated from the stockholders/members.
    c. Both A and B.
    d. Neither A nor B.

140. Under this principle, courts cannot undertake to control the discretion of the board of directors about administrative matters as to which they have legitimate powers of action. It also means that questions of policy or management are left solely to the honest decision of officers and directors of a corporation and the courts are without authority to substitute their judgment for the judgment of the board of directors.
    a. Business judgment rule or Principle of Management Prerogative
    b. Doctrine of separate entity
    c. Limited liability rule
    d. Theory of concession

141. When may the courts exceptionally interfere to the contracts entered into by the board of directors?
    a. When the contracts are considered ultra vires.
    b. When the contracts are so unconscionable and oppressive as to amount to a wanton destruction of rights of the minority.
    c. Either A or B.
    d. Neither A nor B.

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142. Which of the following statements is **correct**?
    a. Resolution is a formal action by a Board authorizing a particular act of a corporation and the signing of it is required.
    b. Minutes of meetings are a brief statement of what transpired in a meeting of Board, stockholders or executive committee and signing of it by the board members is not required.
    c. Both A and B.
    d. Neither A nor B.

143. The following are the three-fold duties of corporate directors, trustees and officers, **except**
    a. Duty of obedience
    b. Duty of diligence
    c. Duty of loyalty
    d. Duty of independence

144. Under the Revised Corporation Code, what are the duties to be performed by the directors or trustees?
    a. Duties prescribed by law
    b. Duties prescribed by rules of good governance
    c. Duties prescribed by the by-laws of the corporation
    d. All of them

145. Immediately after election of the Board of Directors, the directors must formally organize the corporation by the election of the corporate officers. In the election of corporate officers, how may the Board of Directors vote?
    a. Personally
    b. Through an agent or proxy
    c. Either personally or through an agent or proxy
    d. Through a proxy

146. What is the quorum required for the election of corporate officers by the Board of Directors to be valid?
    a. At least majority of the number of directors as fixed in the articles of incorporation
    b. At least majority of the number of directors filled up.
    c. At least 2/3 of the number of directors as fixed in the articles of incorporation.
    d. At least 2/3 of the number of directors filled up.

147. What is the vote necessary for the valid election of the mandatory corporate officers by the Board of Directors?
    a. At least majority of the number of directors as fixed in the articles of incorporation
    b. At least majority of the number of directors filled up.
    c. At least 2/3 of the number of directors as fixed in the articles of incorporation.
    d. At least majority of the present members of board of directors in a meeting where there is a quorum.

148. In which of the following is proxy voting **allowed**?
    a. In election of board of directors by shareholders.
    b. In election of corporate officers by board of directors.
    c. Both A and B
    d. Neither A nor B

149. The following are the mandatory corporate officers under Revised Corporation Code, **except**
    a. President who is regarded as the highest executive officer in the corporate settings and necessarily brings with him implied powers and apparent authority of the corporation
    b. Treasurer who has the authority to receive and keep funds of the corporation and to disburse them in accordance with the authority given to him by Board of authorized officers
    c. Secretary who is regarded as the custodian of corporate records
    d. Compliance Officer who is responsible for overseeing the compliance to law by a corporation and required in case of corporation vested with public interest
    e. Vice President who is responsible for legal affairs of the corporation

150. The following are the qualifications of a corporate president, **except**
    a. He must be a director of the corporation.
    b. He must be a stockholder of the corporation.
    c. He must neither be a secretary nor a treasurer of the same corporation.
    d. He must be a resident citizen of the Philippines.

151. The following are the qualifications of a corporate secretary, **except**
    a. He must not be a president of the same corporation.
    b. He must be a Filipino citizen.
    c. He must be a resident of the Philippines.
    d. He must be a director of the corporation.

152. What is the qualification of a corporate treasurer?
    a. Not the Corporate President and Must be a Resident of the Philippines
    b. Must be resident-citizen of the Philippines
    c. Must be a stockholder and must be a Filipino Citizen
    d. Must be a stockholder and a Director

153. Which of the following is disqualified from becoming a corporate treasurer?
    a. Director of the corporation
    b. Secretary of the corporation
    c. President of the same corporation
    d. Shareholder of a corporation

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154. Which of the following corporate officer is required to be a stockholder and a director?
    a. President or chairman of the board of directors
    b. Treasurer
    c. Vice-president
    d. Secretary

155. Which of the following is allowed concurrent positions to a single person?
    a. President and Secretary
    b. President and Treasurer
    c. Secretary and Treasurer
    d. None of the above

156. What is the period for reporting the names, nationalities and residences of directors, trustees and officers elected to the SEC by the corporate secretary or any other officer?
    a. Within 30 days after the election
    b. Within 20 days after the election
    c. Within 10 days after the election
    d. Within 40 days after the election

157. What is the period for reporting the death, resignation or ceasing as such of directors, trustees and officers to the SEC by the corporate secretary or any other officer?
    a. Within 30 days after the said death, resignation or cessation
    b. Within 20 days after the said death, resignation or cessation
    c. Within 10 days after the said death, resignation or cessation
    d. Immediately but without mandatory period

158. Under the Revised Corporation Code, which of the following is/are considered temporary grounds for disqualification of directors, trustees or corporate officers for a period of at least five (5) years?
    a. Convicted by final judgment of: (1) an offense punishable by imprisonment for a period exceeding six (6) years, (2) Violation of Revised Corporation Code; and (3) Violation of "The Securities Regulation Code"
    b. Found administratively liable for any offense involving fraudulent acts
    c. By a foreign court or equivalent foreign regulatory for acts, violations or misconduct similar to those enumerate in letter (a) and (b) above.
    d. All of the above

159. Under the Revised Corporation Code, how may SEC remove a director or trustee elected despite the disqualification, or whose disqualification arose or is discovered subsequent to an election?
    a. The SEC may remove him moto proprio or on its own initiative after due notice and hearing.
    b. The SEC may remove him upon verified complaint after due notice and hearing.
    c. Either A or B
    d. Neither A nor B

160. What is the required number of vote for the removal of incumbent director or trustee?
    a. Owners of at least majority of the outstanding capital stock or at least majority of members.
    b. Owners of at least 2/3 of the outstanding capital stock entitled to vote or at least 2/3 of members entitled to vote.
    c. At least majority vote of the members of the board and at least 2/3 of the outstanding capital stock entitled to vote or at least 2/3 of members.
    d. At least majority vote of the members of the board.

161. The following statements concerning the removal of a director or trustee are correct, **except**
    a. The removal may take place either at a regular meeting of a corporation or a special meeting called for that purpose.
    b. A special meeting called for the purpose of removal of a director or trustee must be called by the secretary on order of president or on the written demand of the stockholders. Should the secretary refuse to make the call, the demanding stockholder may do the call directly to the stockholders.
    c. The removal of a director not representing a minority interest may be with or without cause.
    d. The director or trustee representing a minority interest may be removed with or without cause.

162. Under Revised Corporation Code, when shall the election to fill-up vacancy in the board of directors/trustees be held if the reason is due to expiration of term?
    a. It shall be held no later than the day of such expiration of term at a meeting called for that purpose.
    b. It shall be held no later than 30 days after expiration of such term at a meeting called for that purpose.
    c. It shall be held no later than 20 days after expiration of such term at a meeting called for that purpose.
    d. It shall be held no later than 10 days after expiration of such term at a meeting called for that purpose.

163. Under Revised Corporation Code, when shall the election to fill-up vacancy in the board of directors/trustees be held if the reason is for causes other than the expiration of term (removal, increase in sits, resignation, abandonment of office, or death)?
    a. It shall be held no later than 45 days from the time the vacancy arose.
    b. It shall be held no later than 15 days from the time the vacancy arose.
    c. It shall be held no later than 30 days from the time the vacancy arose.
    d. It shall be held no later than 20 days from the time the vacancy arose.

164. Under Revised Corporate Code, it refers to the board created by the remaining directors who do not constitute a quorum when emergency action is required to prevent grave, substantial, and irreparable loss or damage to the corporation.
    a. Emergency board
    b. Preventive board
    c. Provisionary board
    d. Temporary board

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165. Under Revised Corporation Code, when may the vacancy in the board be filled up by the unanimous vote of the remaining directors or trustees who do not constitute a quorum to form an emergency board?
    a. When emergency action is required to prevent grave, substantial, and irreparable loss or damage to the corporation.
    b. When the remaining directors/trustees do not constitute a quorum.
    c. When the remaining directors/trustees constitutes a quorum.
    d. When the Board of Directors/Trustees can easily call an election.

166. Under Revised Corporation Code, who are the persons that may be appointed temporarily by the remaining board of directors to create an emergency board?
    a. Officers of the corporation
    b. Stockholders of the corporation
    c. External auditors of the corporation
    d. Government officials

167. Under Revised Corporation Code, what is the required vote for the temporary appointment of officers of the corporation in board to create an emergency board?
    a. Unanimous vote of remaining directors or trustees
    b. At least majority vote of remaining directors or trustees
    c. At least 2/3 vote of remaining directors or trustees
    d. At least ¾ vote of remaining directors or trustees

168. As a general rule, the vacancy in the board of directors/trustees may be filled up only by the stockholders/members through an election called for that purpose. The following are the instances wherein vacancy in the board of directors/trustees shall be filled up only by stockholders or members but not by the remaining director or trustee with quorum, **except**
    a. If the vacancy results from the removal by the stockholders or expiration of term.
    b. If the vacancy results from the expiration of term.
    c. If the vacancy is created by reason of an increase in the number of directors or trustees.
    d. If the vacancy is referred by the board of directors to the shareholders.
    e. If the vacancy results from death, resignation, abandonment, or disqualification and the remaining members of the board still constitutes a quorum.

169. As a general rule, the vacancy in the board of directors/trustees may be filled up only by the stockholders/members through an election called for that purpose. However, the following are the reasons for vacancy in the board of directors which may exceptionally allow the remaining members of the board of directors/trustees with quorum to fill the vacancy in addition to the power of stockholders or members to fill such vacancy, **except**
    a. Death of a director
    b. Resignation of a director
    c. Removal of a director by a stockholder or expiration of term or vacancy due to increase in number of directors
    d. Abandonment of office by a director
    e. Disqualification of a director

170. The following are the reasons for board vacancy which will disqualify the remaining members of the board with quorum to fill up the vacancy in the board, **(REI) except**
    a. **R**emoval of a director
    b. **E**xpiration of term of a director
    c. **I**ncrease in the sits of the board
    d. Disqualification of a director

171. The Articles of Incorporation and By-Laws provide for a maximum of 15 directors for JZ Inc. During 2014, 3 directors resigned and 4 directors died. How may the vacancies be filled up?
    a. By Securities and Exchange Commission
    b. By plurality vote of the majority of the outstanding capital stock entitled to vote
    c. By vote of the remaining board of directors
    d. Either B or C

172. The Articles of Incorporation and By-Laws provide for a maximum of 15 directors for JZ Inc. During 2014, 3 directors were removed by stockholders' vote and 2 directors' term expired. How shall the vacancies be filled up?
    a. By Securities and Exchange Commission
    b. By plurality vote of the majority of the outstanding capital stock entitled to vote
    c. By majority vote of the remaining board of directors
    d. Either B or C

173. The Articles of Incorporation and By-Laws provide for a maximum of 15 directors for JZ Inc. During 2014, 2 directors resigned, 2 directors died and 4 directors were disqualified. How shall the vacancies be filled up?
    a. By Securities and Exchange Commission
    b. By plurality vote of the majority of the outstanding capital stock entitled to vote
    c. By majority vote of the remaining board of directors
    d. Either B or C

174. There are two vacant sits in the Board of Directors consisting of 15 sits. The reasons for vacancies are resignation and removal of the two directors, respectively. How shall the two vacancies be filled up?
    a. Only by plurality vote of the majority of the outstanding capital stock entitled to vote.
    b. Only by majority vote of the remaining board of directors.
    c. Either A or B.
    d. Neither A nor B.

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175. What is the compensation of the directors of corporation, in such capacity?
    a. They are not entitled to any form of compensation.
    b. They are allowed a huge amount of compensation.
    c. They are not entitled to receive any compensation except (1) for reasonable per diems or (2) unless the compensation is fixed by by-laws or when granted by the vote of stockholders.
    d. They are entitled to receive the compensation of the president.

176. Under Revised Corporation Code, what is the required vote for the granting of compensation to board of directors in such capacity other than reasonable per diems?
    a. Owners of at least majority of the outstanding capital excluding the directors concerned.
    b. Owners of at least 2/3 of the outstanding capital stock.
    c. At least majority vote of the directors and at least 2/3 of the outstanding capital stock.
    d. At least majority vote of the directors and at least majority vote of the outstanding capital stock

177. Under Revised Corporation Code, which corporation is required to submit annual report of compensation of BOD/BOT to stockholders and SEC?
    a. Corporations vested with public interest
    b. Corporation sole
    c. Family-owned corporation
    d. Closely-held corporation

178. What is the maximum amount to be granted as compensation to board of directors in such capacity?
    a. 10% of the net income of corporation after tax of the current year
    b. 10% of the net income of corporation before tax of the current year
    c. 10% of the net income of corporation after tax of the immediately preceeding year
    d. 10% of the net income of corporation before tax of the immediately preceeding year

179. Under Revised Corporation Code, what is the manner of attendance of directors or trustees in the board meeting?
    a. They must physically attend or vote at the meeting of board.
    b. Those who cannot physically attend or participate, they may attend through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate.
    c. Either A or B
    d. Neither A nor B

180. The following are the limitations on powers of board of directors/trustees, **except**
    a. Limitations imposed by the Constitution, Laws, articles of incorporation or by-laws
    b. It cannot perform constituent or those acts which involve fundamental changes in the corporation or which requires approval of the stockholders or members
    c. It cannot exercise powers not possessed by the corporation.
    d. It cannot make decisions without approval of the stockholders on acts of administration.

181. As a general rule, directors and officers are **not** solidarily liable with the corporation. The following are the exceptional instances where the directors are solidarily liable for damages suffered by the corporation, stockholders or third persons, **except**
    a. When he willfully and knowingly voted for and assented to patently unlawful acts of the corporation.
    b. When he acquired any personal or pecuniary interest in conflict with their duty.
    c. When he is guilty of simple negligence or he acted in good faith in directing the affairs of the corporation under the principle of business judgment rule.
    d. When he consented to the issuance of watered stocks, or having knowledge thereof, failed to file objections with the corporate secretary.
    e. When he agreed or stipulated in a contract to hold himself personally liable with the corporation.

182. What is the liability of a director or officer when he attempts to acquire or acquires, in violation of his duty, any interest adverse to the corporation in respect of any matter which has been reposed in him in confidence?
    a. He shall not be liable to the corporation.
    b. He is liable but only to the extent of his capital contribution.
    c. He shall be liable as a trustee for the corporation and must account for the profits which otherwise would have accrued to the corporation.
    d. He is not liable to the corporation if the director is the majority stockholder.

183. The following are the remedies of the stockholders in case of mismanagement of the corporation, **except**
    a. File a criminal action against the corporation.
    b. Ask for the involuntary dissolution of the corporation if the abuse amounts to a ground for the institution of a quo warranto proceedings but the Solicitor General refuses to act.
    c. File an action for receivership.
    d. File an action for injunction if the act has not yet been done
    e. File a derivative suit with RTC or complaint with the SEC.

184. He refers to a director, trustee, or officer who personally contracts with the corporation in which he is director, trustee or officer.
    a. Conflicting director, trustee or officer
    b. Director/trustee/officer in bad faith
    c. Interlocking director, trustee or officer
    d. Self-dealing director, trustee or officer

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185. Under Revised Corporation Code, who are also within the scope of restriction about contract with self-dealing directors, trustees or officers?
    a. Spouses of self-dealing directors, trustees or officers
    b. Relatives of self-dealing directors, trustees or officers within **4th civil degree of consanguinity or affinity**
    c. Either A or B
    d. Neither A nor B

186. What is the status of a contract entered into by a self-dealing director and the corporation?
    a. Null and void
    b. Valid and without defect
    c. Voidable at the option of the director
    d. Voidable at the option of the corporation

187. The following are the essential requisites in order for a contract entered into by self-dealing director/officer with the corporation to be perfectly valid even without requiring ratification from stockholders, **except**
    a. That the presence of such self-dealing director in the board meeting in which the contract was approved was not necessary to constitute a quorum.
    b. That the vote of the self-dealing director was not necessary for the approval of the contract.
    c. That the contract is fair and reasonable under the circumstances.
    d. In the case of an officer, the contract has been previously authorized by the board of directors.
    e. That the contract is ratified by stockholders representing at least 2/3 of the outstanding capital stock entitled to vote.

188. Under Revised Corporation Code, the following are the essential requisites in order for a material contract entered into by self-dealing director/officer with the corporation vested with public interest to be perfectly valid, **except**
    a. That the presence of such self-dealing director in the board meeting in which the contract was approved was not necessary to constitute a quorum.
    b. That the vote of the self-dealing director was not necessary for the approval of the contract.
    c. That the contract is fair and reasonable under the circumstances.
    d. In the case of an officer, the contract has been previously authorized by the board of directors.
    e. In case of material contract, it must be approved by at least two-thirds (2/3) of the entire membership of the board, with at least a majority of the independent directors voting to approve the material contract.
    f. It must be approved by Securities and Exchange Commission.

189. What is the required vote for the ratification of the voidable contract entered into by a self-dealing director if the requirements provided by the preceding number are **not** complied with?
    a. Owners of at least majority of the outstanding capital stock.
    b. Owners of at least 2/3 of the outstanding capital stock.
    c. At least majority vote of the directors and at least 2/3 of the outstanding capital stock.
    d. At least majority vote of the directors and at least majority vote of the outstanding capital stock

190. He refers to a person who is a director, trustee or officer in different corporations.
    a. Conflicting director, trustee or officer
    b. Director/trustee/officer in bad faith
    c. Interlocking director, trustee or officer
    d. Self-dealing director, trustee or officer

191. What is the status, as a general rule, of a contract entered into by 2 or more corporations, having interlocking directors?
    a. Null and void
    b. Valid and without defect provided there is no fraud and the contract is fair and reasonable
    c. Voidable at the option of the director
    d. Voidable at the option of the corporation

192. If the interlocking director's interest in one corporation is substantial (more than 20% of outstanding capital stock) and his interest in the other corporation is merely nominal (20% or less of outstanding capital stock), then all the requisites for contracts with self-dealing directors must all be present to be perfectly valid. If either of the first two first requires are absent, the contract can by ratified by how many vote?
    a. Owners of at least majority of the outstanding capital stock.
    b. Owners of at least 2/3 of the outstanding capital stock in the corporation where the interlocking director has nominal interest.
    c. At least majority vote of the directors and at least 2/3 of the outstanding capital stock.
    d. At least majority vote of the directors and at least majority vote of the outstanding capital stock

193. What is the liability of a director, who by virtue of his office, acquired for himself a business opportunity which should belong to the corporation, thereby obtaining profits to the prejudice of the corporation?
    a. The director is not liable.
    b. The director is liable only if he acted in bad faith.
    c. The director is liable only if he acted in gross negligence.
    d. The director is liable to refund to the corporation all the profits he realized on a business opportunity which the corporation is financial able to undertake, from its nature, is in line with corporations business and is of practical advantage to business and the corporation has an interest or a reasonable expectancy.

194. What is the required vote for the ratification of disloyalty conducted by a director against the corporation?
    a. Owners of at least majority of the outstanding capital stock.
    b. Owners of at least 2/3 of the outstanding capital stock.
    c. At least majority vote of the directors and at least 2/3 of the outstanding capital stock.
    d. At least majority vote of the directors and at least majority vote of the outstanding capital stock

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195. It refers to a body created by the by-laws and composed of **not less than three appointed members of the board** which, subject to the statutory limitations, has all the authority of the board to the extent provided in the board resolution or by-laws. This body may act, by **majority** of all its members, on such specific matters within the competence of the board as may be delegated to it in by-laws.
    a. Executive committee
    b. Executive council
    c. Executive body
    d. Executive group

196. How may an executive committee be created?
    a. The executive committee can only be created by virtue of a provision in the by-laws.
    b. The executive committee can be created by the board of directors itself through a simple board resolution even if nothing is stated in the by-laws regarding its creation.
    c. Either A or B
    d. Neither A nor B

197. Under Revised Corporation Code, what committees may be created by the BoD/BoT even without authorization from the by-laws of the corporation?
    a. Special Committees of temporary or permanent nature
    b. Executive Committees
    c. Management Committees
    d. Discretionary Committees

198. The executive committee may act by majority vote of its members and its decision is not appealable to the board of directors. However, the executive committee **cannot** act on the following matters **(FA^{3}D), except**
    a. **F**illing up of vacancies in the board
    b. **A**pproval of any corporation action for which shareholders' approval is also required.
    c. **A**mendment, repeal of by laws or adoption of new by-laws
    d. **A**mendment or repeal of any resolution of Board of Directors which by its terms is not amendable or repealable
    e. **D**istribution of cash dividends to shareholders
    f. Selection of independent external auditor

199. They refer to the powers expressly provided, enumerated and granted by the Corporation Code or special law to a corporation.
    a. Express powers
    b. Implied or necessary powers
    c. Incidental or inherent powers
    d. Discretionary powers

200. These powers are those inferred from or reasonably necessary for the exercise of the provided powers of the Corporation. They flow from the nature of the underlying business enterprise.
    a. Express powers
    b. Implied or necessary powers
    c. Incidental or inherent powers
    d. Discretionary powers

201. They are powers that attached to a corporation at the moment of its creation without regard to its expressed powers or particular primary purpose and may be said to necessarily arise from its being a juridical person engaged in business. They flow from the nature of the corporation as a juridical person.
    a. Express powers
    b. Implied or necessary powers
    c. Incidental or inherent powers
    d. Discretionary powers

202. Under the Revised Corporation Code, the following are examples of express powers of a private corporation, **except**
    a. To purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage and deal with real and personal property, securities and bonds.
    b. For stock corporations, to issue and sell stocks to subscribers and treasury stock, for nonstock corporation, to admit members
    c. To enter into merger or consolidation
    d. To establish pension, retirement, and other plans for the benefit of its directors, trustees, officers and employees
    e. To sue and be sued
    f. To make reasonable donations for public welfare, hospital, charitable, cultural, scientific, civic or similar purposes
    g. Right of succession
    h. To adopt and use of corporate seal
    i. To amend its articles of incorporation
    j. To adopt its by-laws
    k. To have perpetual existence unless the certificate of incorporation provides otherwise
    l. To enter into a partnership, joint venture, merger, consolidation, or any other commercial agreement with natural and juridical persons
    m. In case of domestic corporation, to give donations in aid of any political party or candidate or for purposes of partisan political activity
    n. In case of foreign corporation, to give donations in aid of any political party or candidate or for purposes of partisan political activity

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203. Under Revised Corporation Code, which private corporation is prohibited from giving donations in aid of any political party or candidate or for purposes of partisan political activity?
    a. Foreign corporation
    b. Domestic corporation
    c. Both A and B
    d. Neither A nor B

204. The following are examples of implied or necessary powers of a private corporation, **except**
    a. To issue checks
    b. To establish a local post office by a mining company
    c. To operate power plant for cement factory company
    d. To sell, supply or manage advertising materials for an advertising company
    e. To operate an online casino for a company engaged in amusement center for various computer games

205. The following are examples of incidental or inherent powers of a private corporation, **except**
    a. Right to succession
    b. Right to have corporate name
    c. Right to make by-laws for its government
    d. Right to sue and be sued
    e. Right to acquire and hold properties for the purposes authorized by the charter
    f. Right to enter into merger or consolidation

206. It refers to act committed outside the object for which a corporation is created as defined by the law of its organization and therefore beyond the express, implied and incidental powers of the corporation.
    a. Unconstitutional act
    b. Immoral act
    c. Ultra vires act
    d. Illegal act

207. What is the status of ultra vires contracts entered by a corporation which are illegal per se such as crime?
    a. Voidable
    b. Unenforceable
    c. Rescissible
    d. Null and Void

208. What is the status of ultra vires contracts entered by a corporation which are not illegal per se but in violation of the formality for ratification required by the Corporation Code?
    a. Voidable
    b. Rescissible
    c. Unenforceable
    d. Null and Void but declaration of nullity may be barred by estoppel

209. What is the status of ultra vires contracts entered by a corporation which are not illegal per se but outside the primary and secondary purpose of the corporation?
    a. Voidable on the part of the other party
    b. Voidable on the part of the corporation
    c. Unenforceable
    d. Null and Void

210. What is the status of ultra vires acts made by the Corporation's board of directors or officers in behalf of the corporation which are illegal per se?
    a. Voidable
    b. Unenforceable
    c. Rescissible
    d. Null and Void

211. What is the status of ultra vires acts made by the Corporation's board of directors or officers in behalf of the corporation which are not illegal per se but merely unauthorized?
    a. Voidable
    b. Unenforceable
    c. Rescissible
    d. Null and Void

212. What doctrine may be raised by a third party who in good faith contracted with a corporation through its board of directors or officers in order to enforce the contract against the corporation when the latter is interposing the defense that the contract is unauthorized or unenforceable against the corporation?
    a. Doctrine of estoppel or ratification which precludes a corporation and its Board from denying validity of the transaction entered into by its officer with a third party who in good faith, relied on the authority of the former as manager to act on behalf of the corporation.
    b. Doctrine of apparent authority which means that if a corporation knowingly permits one of its officers, or any other agent, to act within the scope of apparent authority, it holds him out to the public as possessing the power to do those acts; and thus, the corporation will, as against anyone who has in good faith dealt with it through such agent, be estopped from denying the agent's authority.
    c. Either A or B
    d. Neither A nor B

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213. How may the corporation exempt itself from the ultra vires contract entered or executed into by its corporate officer or agent?
    a. It must plead and prove that such corporate officer was not properly authorized by clear evidence.
    b. It must prove that it has timely and properly repudiated the officer's authority to prevent estoppel.
    c. Both A and B.
    d. Neither A nor B.

214. What is the binding effect of executed contract of a corporation which is considered ultra vires?
    a. It can bind the parties on the basis of doctrine of estoppel/ratification or doctrine of apparent authority.
    b. It can never bind the parties.
    c. It should not bind the parties because it is void ab initio.
    d. It is always subject to ratification and court can interfere.

215. What is the required vote for the extension/shortening of corporate term?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 of members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock or members.
    d. Approval by at least majority vote of the board of directors/trustees.

216. What is the required vote for the increase/decreasing of authorized capital stock?
    a. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least 2/3 of the outstanding capital stock.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock.
    c. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least majority of the outstanding capital stock.
    d. Approval by at least majority vote of the board of directors.

217. What is the required vote for incurring, creating or increasing bond indebtedness?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 of members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock or members.
    d. Approval by at least majority vote of the board of directors/trustees.

218. What is the required vote for incurring, creating or increasing loans payable or notes payable?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 of members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock or members.
    d. Approval by at least majority vote of the present members of directors/trustees in a meeting where there is quorum.

219. In case of increasing/decreasing the authorized capital stock or increasing/creating bond indebtedness, which is **incorrect**?
    a. Bonds payable issued by a corporation shall be registered with SEC which shall have the authority to determine the sufficiency of the terms thereof.
    b. Any increase/decrease of authorized capital stock or increase/creation of bond indebtedness shall have the approval of SEC.
    c. Any decrease in authorized capital stock shall be supported by unrestricted retained earnings.
    d. SEC shall approve the increase the increase in authorized capital stock only if it is accompanied by corporate treasurer's affidavit that the minimum subscription and paid up required by law has been complied with.
    e. The stockholders are not required to be notified in case of increase/decrease of authorized capital stock or increase/creation of bond indebtedness.

220. It refers to the right of shareholders to subscribe to all issues or disposition of shares of any class in proportion to their present shareholdings in order to preserve their ownership interest in the corporation unless properly denied in the articles of incorporation. It is intended to protect both the proprietary and voting rights of a stockholder in a corporation, since such proportionate interest determines his proportionate power to vote in corporate affairs when the law gives the shareholders a right to affirm or deny board actions. It is a **common-law right** which may be exercised by stockholders even when no provision is stated in the Corporation Code.
    a. Appraisal right
    b. Pre-emptive right
    c. Right of first refusal
    d. Redeemable right

221. In which document shall the denial of pre-emptive right of a stockholder be stated for denial to be valid and binding?
    a. Articles of incorporation
    b. By-Laws
    c. Either A or B
    d. Neither A nor B

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222. What is the required vote for validity of denial of pre-emptive right?
    a. Approval by at least majority vote of the board of directors and ratification by at least 2/3 of stockholders.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock.
    c. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least majority of the outstanding capital stock.
    d. Approval by at least majority vote of the board of directors.

223. When is pre-emptive right available?
    I. To new issues of shares arising from any increase of capital stock
    II. When the board decides to open them for subscription, to existing unsubscribed portion of the authorized capital stock not previously offered to existing stockholders
    III. To disposition or reissuance of treasury shares
    a. I only
    b. II only
    c. I and II only
    d. I, II and III

224. The following are the instances when pre-emptive right of shareholder is **not** available, **except**
    a. Shares to be issued to comply with laws requiring stock offering or minimum stock ownership by the public (Initial Public Offering of Shares for listing in Stock Exchange)
    b. To shares that are being reoffered by the corporation after they were initially offered together with all the shares to the existing stockholders who initially refused them
    c. Shares issued in good faith with approval of the stockholders holding 2/3 of the outstanding capital stock in exchange for the property needed for corporate purposes
    d. Shares issued, with approval of the stockholders holding 2/3 of the outstanding capital stock, in payment of previously contracted debts of the corporation
    e. Waiver of the right by the stockholder
    f. In case of non-stock corporation since there is no control in membership
    g. In so far as the assignee is concerned, where the assignors have previously exercised their pre-emptive rights to subscribe to new shares
    h. When the pre-emptive right is not denied in the articles of incorporation or amendment thereto

225. It provides that a stockholder who may wish to sell or assign his shares must first offer the shares to the corporation or to other existing stockholders of the corporation, under terms and conditions which are reasonable; and that only when the corporation or the other stockholders do not or fail to exercise their option, is the offering stockholder at liberty to dispose of his shares to third parties. It arises only by virtue of contractual stipulations, in which case the right is construed strictly against the right of persons to dispose of or deal with their property. It is normally available in a close corporation as stated in its articles of incorporation as a type of transfer restriction.
    a. Appraisal right
    b. Pre-emptive right
    c. Right of first refusal
    d. Redeemable right

226. What is the required vote for the sale, disposal, lease or encumbrance of all or substantially all of corporate assets?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 of members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock or members.
    d. Approval by majority vote of the board of directors/trustees.

227. Under Revised Corporation Code, what is the additional requirement for the validity of sale, disposal, lease or encumbrance of all or substantially all of corporate assets?
    a. There must compliance with Philippine Competition Act or R.A. No. 10667 and other related laws.
    b. There must be approval by Commissioner of Internal Revenue.
    c. There must be approval by Commissioner of Customs.
    d. There must be approval by Regional Trial Court.

228. Under Revised Corporation Code, what is the basis for computation to determine whether the sale involves all or substantially all of the corporation's properties and assets of the corporation?
    a. It must be computed based on its net asset value, as shown in its latest financial statements.
    b. It must be computed based on its total asset value, as shown in its latest financial statements.
    c. It must be computed based on its liability value, as shown in its latest financial statements.
    d. It must be computed based on its fair market value, as shown in its latest financial statements.

229. What is the required vote for the sale or disposal by SM of SM Mall of Asia?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 of members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock or members.
    d. Approval by at least majority vote of the present members of directors/trustees in a meeting where there is quorum.

230. In nonstock corporations where there are no members with voting rights, what vote is required for the approval of the sale, disposal, lease or encumbrance of all or substantially all of corporate assets?
    a. Vote of at least majority of the trustees
    b. Vote of at least 2/3 of the trustees
    c. Vote of at least ¼ of the trustees
    d. Unanimous vote of the trustees

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231. Which of the following sale, disposal or lease made by board of directors of corporate assets requires ratification by its stockholders?
    a. Sale which would render the corporation incapable of continuing its business or accomplishing the purpose for which it was incorporated.
    b. Lease or exchange of corporate assets in the regular course of business.
    c. Sale or pledge or mortgage of corporate assets in the usual course of business.
    d. Sale or disposal of corporate assets for the conduct of its remaining business.

232. In acquisition of treasury shares, the presence of unrestricted retained earnings is required in order **not** to violate trust fund doctrine. The following are the reasons for acquiring own shares and placing them in treasury, **except**
    a. To eliminate fractional shares out of stock dividends
    b. To collect or compromise indebtedness to the corporation, arising out of unpaid subscription, in a delinquency sale and to purchase delinquent shares sold during said sale
    c. To pay dissenting or withdrawing shareholders entitled to payment under Corporation Code
    d. To effect a decrease of capital stock
    e. In close corporations, where there is a deadlock in the management of the business
    f. In close corporations, when a stockholder wants to exercise his appraisal right for whatever reason
    g. To pay redeemable preference shares
    h. To pay bonds payable

233. In which of the following purposes of acquiring own shares and placing them in treasury is presence of unrestricted retained earnings **not** required?
    a. To collect or compromise indebtedness to the corporation, arising out of unpaid subscription, in a delinquency sale and to purchase delinquent shares sold during said sale
    b. To pay dissenting or withdrawing shareholders entitled to payment under Corporation Code by reason of exercise of appraisal right in ordinary corporation
    c. To effect a decrease of capital stock
    d. (1) In a close corporation where there is a deadlock in the management of the business or (2) when a stockholder of a close corporation wants to exercise his appraisal right for whatever reason or (3) in redemption of redeemable preference shares in ordinary corporation.

234. What is the required vote for acquisition of treasury shares?
    a. Approval by at least majority vote of the board of directors and ratification by at least 2/3 of stockholders.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock.
    c. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least majority of the outstanding capital stock.
    d. Approval by at least majority vote of the board of directors.

235. It means that the capital stock, property, and other assets of the corporation are regarded as equity in trust for payment of corporate creditors.
    a. Estoppel doctrine
    b. Doctrine of equitable recoupment
    c. Wasting asset doctrine
    d. Trust fund doctrine

236. What is the vote required for the investment of corporate funds in another corporation or for purposes other than the primary purpose?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 of members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock or members.
    d. Approval by at least majority vote of the board of directors/trustees.

237. When the investment of corporate funds is reasonably necessary to accomplish the corporation's primary purpose as stated in the articles of incorporation, what is the required vote necessary for its validity?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 of members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock or members.
    d. Approval by at least majority vote of present members the board of directors/trustees in a meeting where there is quorum.

238. Which type of dividends is required to be ratified by the stockholders owning at least 2/3 of the outstanding capital stock entitled to vote?
    a. Cash dividend
    b. Property dividend
    c. Stock dividend
    d. Scrip dividend

239. Under SEC ruling, what is the classification of treasury shares declared as dividends?
    a. Property dividend
    b. Stock dividend
    c. Cash dividend
    d. Scrip dividend

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240. As a general rule and in compliance of trust fund doctrine, dividends can be declared only out of
    a. Capital
    b. Share premium
    c. Net Income
    d. Unrestricted retained earnings

241. Which type of dividends can be legally applied or legally offseted to the balance of subscribed shares which are not yet declared delinquent?
    a. Cash dividends only
    b. Stock dividends only
    c. Both A and B
    d. Neither A nor B

242. Which type of dividends can be legally applied or legally offseted to the balance of subscribed shares which are already declared delinquent?
    a. Cash dividends only
    b. Stock dividends only
    c. Both A and B
    d. Neither A nor B

243. They refer to the profits set aside, declared, and ordered to be paid by the directors for distribution among shareholders at a fixed time.
    a. Profit
    b. Loss
    c. Retained earnings
    d. Dividends

244. Under trust fund doctrine, dividend **cannot** be declared out of contributed capital or legal capital. The following are the exceptional instances when dividends can be declared out of capital, legally, **except**
    a. Redemption of redeemable preference shares
    b. Liquidating dividends during the liquidation
    c. Payment to a stockholder of a close corporation exercising his appraisal right for whatever reason
    d. Payment to a stockholder of a close corporation in case of deadlock in management
    e. Declaration of dividends out of capital in a mining corporation by virtue of wasting asset doctrine
    f. Declaration of property dividends if the corporation has deficit

245. When shall the stockholders be entitled to cash and property dividends?
    a. Upon date of payment
    b. Upon date of record
    c. Upon date of declaration by Board of Directors
    d. Upon date of accounting

246. What is the required vote for declaration of cash or property dividends?
    a. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least 2/3 of the outstanding capital stock.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock.
    c. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least majority of the outstanding capital stock.
    d. Approval by at least majority vote of the board of directors.

247. What is the required vote for declaration of stock dividends?
    a. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least 2/3 of the outstanding capital stock.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock.
    c. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least majority of the outstanding capital stock.
    d. Approval by at least majority vote of the board of directors.

248. As a general rule, what is the maximum surplus profits that can be retained by a stock corporation?
    a. 100% of subscribed capital
    b. 100% of paid up capital
    c. 100% of legal capital
    d. 100% of authorized capital stock

249. The corporation may retain surplus or retained earnings in excess of the maximum limit (100% of paid up capital) provided by the Corporation Code in the following instances, **except**
    a. When it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation such as when there is a need for special reserve for probable contingencies (Voluntary Appropriation of Retained Earnings).
    b. When the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividends without its consent and such consent has not yet been secured (Contractual Appropriation of Retained Earnings).
    c. When justified by define corporate expansion projects approved by the board of directors (Voluntary Appropriation of Retained Earnings).
    d. When there is acquisition of treasury shares (Legal Appropriation of Retained Earnings).
    e. When necessary to dodge final tax on cash dividends or property dividends.

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250. It refers to the dividends which are actually distributions of the assets of the corporation upon dissolution or winding up of the same.
    a. Cash dividends
    b. Stock dividends
    c. Property dividends
    d. Liquidating dividends

251. It refers to the dividends which are payable in unissued or increased or additional shares of the corporation.
    a. Cash dividends
    b. Stock dividends
    c. Property dividends
    d. Liquidating dividends

252. What type of dividend declaration does not affect the total stockholders' equity of the corporation?
    a. Cash dividends
    b. Stock dividends
    c. Property dividends
    d. Scrip dividends

253. It refers to any contract whereby a corporation undertakes to manage or operate all or substantially all of the business of another corporation, whether such contracts are called service contracts, operating agreements or otherwise.
    a. Management contract
    b. Employment contract
    c. Executive contract
    d. Operating contract

254. As a general rule, what is the required vote for validity of management contract or what is the required vote for validity of management contract in the absence of interlocking directors between the managed corporation and managing corporation?
    a. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least 2/3 of the outstanding capital stock of both managed and managing corporation.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock of both managed and managing corporation.
    c. Approval by at least majority vote of the board of directors.
    d. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least majority of the outstanding capital stock of both managed and managing corporation.

255. In case there are interlocking stockholders or interlocking directors between the managed corporation and managing corporation, what is the required ratification vote on the part of managing corporation and managed corporation?
    a. Approval by at least majority of the board of directors and ratification by stockholders representing at least majority of the outstanding capital stock of managing corporation and approval by at least majority vote of the board of directors and ratification by stockholders representing at least 2/3 of the outstanding capital stock on the part of managed corporation.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock of both managed and managing corporation.
    c. Approval by at least majority vote of the board of directors.
    d. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least majority of the outstanding capital stock of both managed and managing corporation.

256. As a general rule, what is the maximum period for one term of management contract?
    a. 5 years
    b. 3 years
    c. 10 years
    d. 1 year

257. It refers to the rules of action adopted by a corporation for its internal government and for the regulation of conduct, and it prescribes the rights and duties of its stockholders or members towards itself and among themselves in reference to the management of its affairs.
    a. Certificate of incorporation
    b. Articles of incorporation
    c. By-laws
    d. Articles of co-partnership

258. Under the Revised Corporation Code, when shall the by-laws of a private corporation be submitted to SEC?
    a. At the time of submission of articles of incorporation
    b. Within 30 days from the issuance by SEC of Certificate of Registration or Incorporation
    c. Either A or B
    d. Neither A nor B

259. What is the effect of non-filing of by-laws with the SEC within the prescribed period set by law?
    a. It automatically dissolves the corporation.
    b. The prospective corporation will not be incorporation as its application for registration or for issuance of certificate of registration by SEC will be denied.
    c. The corporation becomes a corporation by estoppel.
    d. It is a mere non-automatic ground corporate dissolution and the corporation is at the very least a de facto corporation.

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260. The following are generally provided in the corporate by-laws, **except**
    a. The time, place and manner of calling and conducting regular or special meetings of the directors or trustees
    b. The time and manner of calling and conducting regular or special meetings of the stockholders or members
    c. The required quorum in meetings of stockholders or members and the manner of voting therein
    d. The form for proxies of stockholders and members and the manner of voting them
    e. The qualifications, duties and compensation of directors or trustees, officers and employees
    f. The time for holding the annual election of directors of trustees and the mode or manner of giving notice thereof
    g. The manner of election or appointment and the term of office of all officers other than directors or trustees
    h. The penalties for violation of the by-laws
    i. In the case of stock corporations, the manner of issuing stock certificates
    j. Such other matters as may be necessary for the proper or convenient transaction of its corporate business and affairs
    k. The purpose clause and name of corporation

261. The following are the purposes of by-laws, **except**
    a. It supplements the articles of incorporation.
    b. It is a condition precedent before the acquisition of juridical personality of a corporation.
    c. It defines the rights and duties of corporate officers and directors and of stockholders toward the corporation and among themselves.
    d. It regulates the business transactions of the corporation in a particular way.

262. The following are the requisites for the validity of by-laws, **except**
    a. It must not be contrary to the Corporation Code, any law, and Articles of Incorporation.
    b. It must not be contrary to morals and public policy.
    c. It must be discriminatory, oppressive and arbitrary.
    d. It must not impair obligations and contracts.

263. May the by-laws of a corporation prejudice or affect third persons who dealt with the corporation?
    a. As a general rule, they cannot affect or prejudice third persons who dealt with the corporation unless they have knowledge of the same because by-laws operate merely as internal rules among stockholders.
    b. As a general rule, they can affect because they are filed before the SEC.
    c. They can never affect or prejudice third persons.
    d. They will always prejudice or affect third persons.

264. What is the required vote for the adoption of new pre-incorporation by-laws?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock at least 2/3 members.
    d. Approval by all of the incorporators.

265. As a general rule, what is the required vote for the amendment, repeal and adoption of post-incorporation by-laws?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock or at least majority of members.
    d. Approval by at least majority of the board of directors/trustees.

266. What is the required vote for the adoption or amendment of by-laws if this power has already been validly delegated to the Board of Directors/Trustees by the stockholders/members?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock at least 2/3 members.
    d. Approval by at least majority of the board of directors/trustees.

267. What is the required vote for the valid delegation by the stockholders/members to the board of directors of the power to amend or repeal by-laws or adopt new one?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock at least majority members.
    d. Approval by at least majority of the board of directors/trustees.

268. What is the required vote for the revocation of the delegated power of board of directors to amend or repeal by-laws or adopt new one?
    a. Stockholders owning at least 2/3 of the outstanding capital stock or at least 2/3 of members.
    b. Stockholders owning at least 60% of the outstanding capital stock or at least 60% of members.
    c. Stockholders owning at least 75% of the outstanding capital stock or at least 75% of members.
    d. Stockholders owning at least majority of the outstanding capital stock or at least majority of members.

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269. Which of the following powers **cannot** be delegated to the board of directors?
    a. Power to amend by laws
    b. Power to repeal by laws
    c. Power to adopt new by laws
    d. Power to adopt the first or the original by-laws

270. Under Revised Corporation Code, what is the new mode of giving notice to stockholders/members regarding their regular or special meetings?
    a. It may now be sent electronically (electronic mail or other manner) in accordance with the rules and regulations of the SEC on the use of electronic data messages.
    b. It may now be sent through the use of pigeons.
    c. It may now be sent through the use of animals.
    d. All of the above.

271. Under Revised Corporation Code, when may notice of meetings to stockholders/members be allowed to be given to them electronically in accordance with the rules and regulations of the SEC on the use of electronic data messages?
    a. When electronic sending is allowed in the by-laws
    b. When electronic sending is done with the consent of stockholders or members
    c. Either A or B
    d. Neither A nor B

272. Under Revised Corporation Code, if a date is **not** fixed in the by-laws for the regular meeting of shareholders or members, when shall the regular shareholders or members meeting be held?
    a. On any date after April 15 as determined by Board of Directors or Trustees
    b. On any date after May 15 as determined by Board of Directors or Trustees
    c. On any date after June 15 as determined by Board of Directors or Trustees
    d. On any date after July 15 as determined by Board of Directors or Trustees

273. Mandatorily, where shall the regular and special meeting of stockholders be located?
    a. In the city/municipality where the principal office is located preferably at the principal office of the corporation.
    b. In the city/municipality where the principal warehouse is located preferably at the principal warehouse of the corporation.
    c. In the city/municipality where the principal branch is located preferably at the principal branch office of the corporation.
    d. In the city/municipality where the largest branch is located preferably at the largest branch of the corporation.

274. What is the only exception allowed by SEC for the stockholders' meeting to be valid in case it is not held in the city/municipality where the principal office is located preferably at the principal office of the corporation?
    a. When provided by the by-laws
    b. When provided by the articles of incorporation
    c. When all the stockholders are present or duly represented in that meeting
    d. When provided in the by-laws and articles of incorporation

275. In case the by-laws is silent, how often shall the regular meeting of stockholders be held?
    a. Annually
    b. Monthly
    c. Semi-annually
    d. Quarterly

276. In case the by-laws is silent, how often shall the regular meeting of board of directors be held?
    a. Annually
    b. Monthly
    c. Semi-annually
    d. Quarterly

277. In case the by-laws is silent, who has the authority to order the calling of regular and special meeting of board of directors and regular meeting of stockholders?
    a. Chairman of the board
    b. President
    c. Secretary
    d. Treasurer

278. In case the by-laws is silent, who has the obligation to call the regular and special meeting of board of directors or regular meeting of stockholders after being properly authorized?
    a. Chairman of the board
    b. President
    c. Secretary
    d. Treasurer

279. Under Revised Corporation Code, in case the by-laws is silent, what is the minimum number of days of giving notice in case of meeting of stockholders or board of directors?

	Regular meeting of stockholders	Special meeting of stockholders	Meeting of Directors
a.	At least two weeks	At least one week	At least one day
b.	At least three days	At least two days	At least five days
c.	At least 21 days	At least one week	At least two days
d.	At least four days	At least five days	At least six days

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280. Under Revised Corporation Code, in case of postponement of stockholders' or members' regular meetings, when shall written notice thereof and the reason therefore be sent to all stockholders or members of record?
    a. At least two (2) weeks prior to the date of the meeting, unless a different period is required under the bylaws, law or regulation
    b. At least one (1) week prior to the date of the meeting, unless a different period is required under the bylaws, law or regulation
    c. At least three (3) weeks prior to the date of the meeting, unless a different period is required under the bylaws, law or regulation
    d. At least four (4) weeks prior to the date of the meeting, unless a different period is required under the bylaws, law or regulation

281. In case the by-laws is silent, where shall the meeting of the board of directors be held?
    a. Anywhere provided within the Philippines
    b. Anywhere in or out of the Philippines
    c. In the principal office of the corporation
    d. In the principal operation of the corporation

282. In case the by-laws is silent as to who has the authority to order the calling of special meeting, who has the authority to call special meeting of shareholders in case the President does not want to order the calling?
    a. By director, trustee or by an officer entrusted with the management of the corporation
    b. By SEC, upon petition of a stockholder or members and on the showing of good cause
    c. Either A or B
    d. Neither A nor B

283. In case the by-laws is silent as to who shall call a special meeting of stockholders and the majority of the stockholder was not able to select who shall preside in the said special meeting of the shareholders in case the President does not want to order the calling, who shall preside the meeting?
    a. Petitioning shareholder
    b. President
    c. Secretary
    d. Treasurer

284. Under Revised Corporation Code, in case the by-laws is silent, who shall preside the regular meeting of board of directors or regular meeting of shareholders?
    a. Chairman of the board
    b. President
    c. Secretary
    d. Treasurer

285. In which meeting is proxy **allowed**?
    a. Meeting of board of directors/trustees
    b. Meeting of shareholders/members
    c. Both A and B
    d. Neither A nor B

286. What is the quorum for validity of meetings of shareholders/members?
    a. Stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 of members
    b. Stockholders representing at least 75% of the outstanding capital stock or at least 75% of members
    c. Stockholders representing at least majority of the outstanding capital stock or majority of members
    d. Stockholders representing 100% of the outstanding capital stock or all members

287. When shall the proceedings and businesses transacted in the meeting of stockholders or members be valid despite the impropriety of holding or calling of meeting?
    a. If all stockholders or members of the corporation are present or duly presented at the meeting.
    b. If the businesses transacted are within the powers or authority of the corporation.
    c. When both A and B are present.
    d. When either A or B is present.

288. Who has the authority to order the calling of special meeting for the removal of directors/trustee?
    a. President only
    b. Secretary, stockholder or member
    c. Treasurer only
    d. Chairman of the board only

289. The following shares are **not** entitled to vote, **except**
    a. Delinquent shares
    b. Treasury shares
    c. Fractional shares
    d. Escrow shares before the fulfillment of suspensive condition
    e. Unpaid subscribed shares not yet declared delinquent

290. A stockholder may vote in the following manner, **except**
    a. Directly in person
    b. Through a proxy who has been properly authorized
    c. By a trustee through a voting trust agreement
    d. By executors, administrators, or receivers or person duly appointed by court
    e. In case of co-owners of shares of stocks, by consent of all the co-owners (unanimous vote)
    f. In case of pledged shares of stocks, the pledgor may still vote
    g. In case of sequestered shares by PCGG (1) G.R.: by the registered stockholder of record (2) Exception: by PCGG if it can comply with either public character or two-tiered tests

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h. Through unauthorized person

291. In case of co-owned stocks, the consent of all co-owners is necessary for the validity of the vote of those shares of stocks. What are the exceptional cases when a co-owner may vote validly even the other co-owners are not present?
    a. When the co-owners executed voting trust agreement in favor of the voting co-owner.
    b. When the certificate of stocks indicates *"and/or"* in the ownership.
    c. Either A or B.
    d. Neither A nor B.

292. It refers to a written authorization given by one person to another so that the second can act for the first and it also refers to the holder of authority or person authorized by an absent stockholder or member to vote for him at a stockholders' meeting.
    a. Proxy
    b. Debtor
    c. Principal
    d. Creditor

293. The following are the requisites for validity of proxy, **except**
    a. It shall be valid only for the meeting which is was intended unless the proxy is a continuing proxy.
    b. It shall be in writing.
    c. It shall be filed before the scheduled meeting with the corporate secretary.
    d. It shall be signed by the shareholder/member concerned.
    e. It shall be valid and effective even for a period longer than 10 years at any one time.

294. What is the effectivity or validity period of a proxy at any one time?
    a. A period not exceeding 5 years
    b. A period not exceeding 10 years
    c. A period not exceeding 3 years
    d. A period not exceeding 1 year

295. The right to vote by proxy may be exercised for the following, **except**
    a. Voting by stockholders in a stock corporation
    b. Voting by members in a nonstock corporation
    c. By pledgee (as agent of pledgor) of shares pledged to him by pledgor
    d. Voting of trustee under voting trust agreement
    e. Voting by a co-owner in case of joint ownership of stock
    f. Election of corporate officers by board of directors or voting by sub-proxy in behalf of a proxy or voting by a member of board of trustee in a nonstock corporation

296. It refers to the agreement whereby stockholders (trustors) of a stock corporation confers upon a trustee the right to vote and other rights pertaining to the shares and it should not be used to circumvent the law against monopolies and illegal combinations in restraint of trade or for fraud purposes. It may be preterminated through a court petition by the trustors when their rights are trampled upon by the trustee.
    a. Proxy agreement
    b. Agency agreement
    c. Consolidation agreement
    d. Voting trust agreement

297. What is the effectivity and validity period of voting trust agreement at any one time with the exception of voting trust specifically required as a condition in a loan agreement whose period depends upon the term of the loan?
    a. A period not exceeding 5 years
    b. A period not exceeding 10 years
    c. A period not exceeding 3 years
    d. A period not exceeding 1 year

298. The following are the **correct** differences between proxy and voting trust agreement, **except**
    a. Proxy need not be notarized while voting trust agreement need to be notarized.
    b. There is no transfer of title to proxy while there is transfer of title to trustee.
    c. The proxy must vote in person while the trustee may vote in person or by proxy.
    d. Proxy can only act at a specified meeting if not continuing proxy while trustee is not limited to act any particular meeting.
    e. Proxy is revocable at any time by stockholder while trust agreement is irrevocable by trustor.
    f. The proxy votes as an agent while the trustee votes as an owner.
    g. The proxy can be elected as director of corporation while trustee cannot be elected as director of corporation.

299. What is the status of voting trust agreement if it is **not** in writing and is **not** notarized and failed to specify its terms and conditions?
    a. Voidable
    b. Rescissible
    c. Perfectly valid
    d. Ineffective and unenforceable

300. Who among the following may be elected as a director of a stock corporation?
    a. Proxy of a stockholder
    b. Trustee in a voting trust agreement
    c. Trustor in a voting trust agreement
    d. Proxy of a trustee in a voting trust agreement

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301. The following statements concerning voting trust agreements are correct, **except**
    a. The voting trustee or trustees are not allowed to vote by proxy unless the agreement provides otherwise.
    b. Unless expressly renewed, all rights granted in a voting trust agreement shall automatically expire at the end of the agreed period, and the voting trust certificates as well as the certificates of stock in the name of the trustee or trustees shall thereby be deemed canceled and new certificates of stock shall be reissued in the name of the transferors.
    c. The voting trust agreement filed with the corporation shall be subject to examination by any stockholder of the corporation in the same manner as any other corporate book or record.
    d. The trustee or trustees shall execute and deliver to the transferors/trustors voting trust certificates, which shall be transferable in the same manner and with the same effect as certificates of stock.

302. How may a stockholder or member vote in election of directors or trustees of a corporation?
    a. By personal voting
    b. Through a proxy
    c. Through a trustee
    d. By remote communication or in absentia
    e. Any of the above

303. Under the Revised Corporation Code, when may the stockholders or members vote through remote communication or in absentia in the election of directors or trustees or what is the required authorization before the stockholders or members may vote through remote communication or in absentia in the election of directors or trustees?
    a. When so authorized in the by-laws
    b. When so authorized by a majority vote of the board of directors/trustees
    c. Either A or B
    d. Neither A nor B

304. The following are the ways to become stockholders, **except**
    a. Through subscription contract with the corporation
    b. Lending funds to a corporation
    c. Purchase or acquisition of shares from existing stockholders
    d. Purchase of treasury shares from the corporation

305. It refers to any contract for the subscription or acquisition of unissued stock in an existing corporation or the shares of the corporation still to be formed.
    a. Acquisition contract
    b. Sales contract
    c. Subscription contract
    d. Promotion contract

306. According to SEC ruling, what is the nature of subscription contract?
    a. Divisible contract
    b. Indivisible contract
    c. Either A or B
    d. Neither A nor B

307. What is the formality required by Corporation Code for the validity and enforceability of subscription contract?
    a. It must be notarized.
    b. It must be in writing because it is covered by statute of fraud.
    c. It must be registered with SEC.
    d. It may be in any form because it is perfected by mere consent.

308. A orally subscribed to 10 common stocks of ABC Corporation at a price of P500 wherein payment of the price and delivery of certificate of stocks will happen after 1 month. What is the status of contract of subscription?
    a. Void
    b. Unenforceable
    c. Voidable
    d. Perfectly valid

309. Which of the following terms refers to absolute subscription?
    a. It is a subscription where the corporation agrees to do something, the fulfillment of which not being a condition precedent to the accrual of a liability of the subscriber or the acquisition of the rights of a stockholder.
    b. It is a subscription entered into after the incorporation for the acquisition of unissued stock.
    c. It is a subscription subject to a condition.

310. It is a subscription entered into before incorporation.
    a. Post incorporation subscription
    b. Pre-incorporation subscription
    c. Conditional subscription
    d. Subscription with a special term

311. In the absence of longer period stipulated in the contract of subscription, pre-incorporation subscription shall be irrevocable for what period from the date of subscription?
    a. 1 year
    b. 6 months
    c. 3 months
    d. 5 years

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312. When may the pre-incorporation subscription contract be allowed to be revoked?
    a. When all of the other subscribers consent to the revocation.
    b. When the proposed corporation fails to materialize.
    c. When the articles of incorporation has already submitted to SEC.
    d. Either A or B.

313. In the absence of longer period stipulated in the contract of subscription, when may a pre-incorporation subscription be allowed to be revoked?
    a. After 6 months from date of subscription even after the submission of the articles of incorporation with the SEC
    b. Within 6 months from date of subscription but must be before the submission of the articles of incorporation with the SEC
    c. After 3 months from date of subscription even after the submission of the articles of incorporation with the SEC
    d. After 6 months from date of subscription but must be before submission of the articles of incorporation with the SEC

314. It refers to an agreement between a corporation and a third person by which the latter agrees for a certain compensation to purchase a stipulated amount of stocks or bonds, specified in the agreement, if such securities are not purchased by those to whom they are first offered.
    a. Stock options
    b. Subscription contract
    c. Underwriting agreement
    d. Sale contract

315. It refers to a privilege granted to a party to subscribe to a certain portion of the unissued capital stock of a corporation within a certain period and under the terms and conditions of the grant and exercisable by the grantee at any time within the period granted.
    a. Stock options
    b. Subscription contract
    c. Underwriting agreement
    d. Sale contract

316. Under Revised Corporation Code, the following are valid considerations for issuance of shares of stocks, **except**
    a. Cash actually received
    b. Property, tangible or intangible, actually received at fair value approved by the SEC which must be more than the par value of shares
    c. Labor or services rendered to the corporation
    d. Previously incurred corporate indebtedness a.k.a. equity swap
    e. Amounts transferred from unrestricted retained earnings to capital stock a.k.a. share dividends
    f. Outstanding shares in exchange for stocks in the event of reclassification or conversion of preference shares to ordinary shares or vice versa or conversion of convertible bonds into shares of stocks
    g. Shares of stock in another corporation a.k.a. Investment in equity instruments
    h. Other generally accepted form of consideration
    i. Promissory notes or future services still to be rendered to the corporation

317. Which of the following statements is **true** concerning issue price of shares?
    a. As a general rule, shares of stocks shall not be issued for a consideration less than the par or issue price thereof in order not to violate trust fund doctrine.
    b. Treasury shares may be reissued below par or original issue price so long as the price is reasonable.
    c. Neither A nor B
    d. Both A and B

318. It refers to a stock issued for a consideration less than their par or issued price.
    a. Secret reserves
    b. Watered stock
    c. Solidified shares
    d. Gaseous stock

319. The following are the possible effects of watered stocks, **except**
    a. The total assets of the corporation are overstated.
    b. The total stockholders' equity of the corporation is overstated.
    c. The total liability of the corporation is understated.
    d. The total contributed capital of the corporation is understated.

320. It refers to a stock issued for a consideration the valuation of which is intentionally understated.
    a. Secret reserves
    b. Watered stock
    c. Solidified shares
    d. Gaseous stock

321. It refers to the interest or right which owner has in the management of the corporation and its surplus profits, and on dissolution, in all of its assets remaining after the payment of its debts,
    a. Shares of stocks
    b. Certificate of stock
    c. Equity in a corporation
    d. Net assets

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322. Which of the following statements concerning shares of stocks is **incorrect**?
    a. It constitutes intangible personal property of the shareholder.
    b. It represents aliquot parts of the corporation's capital and this interest is indirect, contingent, remote, conjectural, consequential and collateral.
    c. It represents an inchoate interest or a sheer expectancy of a right in the management of the corporation and to share in the profits and net assets of the corporation after payment of corporate debts.
    d. It represents proprietary right of stockholder to the assets of the corporation or proprietary claim of co-ownership in the assets of the corporation.

323. It refers to the paper representation or tangible evidence of the stock itself and of the various interests therein and expresses the contract between the corporation and the stockholder. It is not actually necessary to render a person a stockholder in a corporation because it is merely evidence of the shares of stock covered.
    a. Shares of stocks
    b. Certificate of stock
    c. Equity in a corporation
    d. Net assets

324. The following are the remedies of the subscribers where the corporation refuses to issue certificate of stocks, **except**
    a. A petition for mandamus against the corporate secretary if the latter refuses to issue the stock certificate despite full compliance with the procedural requirements of BP 68 for issuance of stock certificate.
    b. A suit for specific performance of an express or implied contract against the corporation in case the corporation refuses to continue with the valid subscription contract
    c. An action for damages against the corporation in case the action for specific performance is no longer available such as when the authorized capital has already been fully issued
    d. Action for rescission of contract of subscription as a remedy of last resort
    e. A criminal action against the corporation

325. The following are the requisites for the issuance of certificate of stock, **except**
    a. The certificate must be signed by the president or vice president and countersigned by the secretary or assistant secretary.
    b. The certificate must be sealed with the seal of the corporation.
    c. The par value, as to par value shares or the subscription as to no par value shares must first be fully paid.
    d. The certificate must be delivered.
    e. The original certificate must be surrendered where the person requesting the issuance of a certificate is a transferee from the stockholder.
    f. The certificate must always be for newly issued shares.

326. The following are the modes of transfer of ownership of shares of stocks, **except**
    a. Indorsement and delivery of stock certificate and to issue a new certificate
    b. Transfer made in a separate instrument in case of assignment of shares of stocks
    c. Judicial or extrajudicial settlement of estate
    d. Pledge of certificate of stock

327. What is the nature of shares of stocks as a property?
    a. Real property
    b. Immovable property
    c. Personal property
    d. Real right

328. Under Law on Sales, delivery is the act that transfers ownership from seller to the buyer. Being intangible assets, shares of stocks are incapable of actual or physical delivery but only through constructive delivery. The following are the modes for the constructive delivery of shares of stocks, **except**
    a. By constructive traditio such as execution of public document.
    b. By placing the titles of ownership in the possession of the vendee such as delivering the stock certificate covering the shares of stock sold.
    c. Through the use by the vendee of his rights with consent of the vendor such as when the seller authorizes the buyer of shares of stock to vote during the stockholder's meeting.
    d. Through pledging of the shares of stocks.

329. Under the Corporation Code, the following are the requirements for the validity of transfer of stock and to bind the corporation and third person, **except**
    a. The certificate of stock must be indorsed or signed by the owner-stockholder or his agent.
    b. There must be delivery of the certificate of stock to the buyer.
    c. To be valid to the corporation and third persons, the transfer must be duly recorded in the books of the corporation showing the names of the parties, transaction date, number of certificate and shares transferred.
    d. The transfer must be through a notarized document.

330. Mr. Stockholder sold his shares of stocks in SM Corp. to Mr. Investor through a notarized deed of sale of shares of stocks without actual delivery, indorsement and registration of the transfer in the SM Corporate Books and therefore contrary to the requirements of valid transfer provided by the Corporation. Which of the following statements is correct?
    a. Mr. Investor does not become the owners of the shares of stocks because there is no delivery of the certificate of stocks.
    b. Mr. Investor becomes a stockholder in SM Corp. because there is constructive delivery through execution of formalities particularly the notarized deed of sale.
    c. The transfer of ownership is valid between Mr. Stockholder and Mr. Investor but it will not bind third persons and the corporation, and therefore, Mr. Investor does not become a stockholder of SM. Corp. However, Mr. Investor may file an action against Mr. Stockholder to compel the latter to observe the formality required by BP 68 for validity of transfer of shares of stocks.
    d. The contract of sale between Mr. Stockholder and Mr. Investor is null and void because of failure to comply with the three essential requisites for a valid transfer of shares of stocks as provided in the Corporation Code.

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331. The following are the effects of unregistered transfer of shares in corporate books, **except**
    a. It is invalid as between the transferor and transferee.
    b. It is invalid as to the corporation except when notice is given to the corporation.
    c. It is invalid as against corporate creditors.
    d. It is invalid as to the attaching or executing creditors

332. What is the nature of a certificate of stock as an instrument?
    a. It is a negotiable instrument covered by Act No. 2031 and can only be valid transferred through negotiation.
    b. It is a quasi-negotiable instrument in that sense that it may be transferred by endorsement coupled with delivery but it is not negotiable because the holder thereof takes it subject to personal and real defenses available to the registered owners.
    c. It is negotiable instrument and therefore the holder receives it free from personal defenses available to the registered owners.
    d. It is not negotiable and can never be transferred by assignment.

333. May unauthorized or forged transfer of bearer certificate of stock give protection to a holder in good faith and for value?
    a. No, as a general rule, because certificate of stock is only quasi-negotiable except when the true owner was guilty of negligence that directly contributed to the loss.
    b. Yes because a holder in good faith and for value of negotiable instrument holds it free from personal defenses available from prior parties.
    c. Yes because a holder in good faith and for value of negotiable instrument is protected by law.
    d. Never in any circumstance.

334. Which of the following statements is/are **correct**?
    a. No shares of stock against which the corporation holds any unpaid claim or no subscribed shares shall be transferable in the books of the corporation.
    b. No certificate of stock shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquency shares), if any due, has been paid.
    c. Both A and B.
    d. Neither A nor B.

335. It refers to a suit brought by one or more stockholders or members in the name and on behalf of the corporation to redress wrongs committed against it or to protect or vindicate corporate rights, whenever the officials of the corporation refuse to sue or are the ones to be sued or hold control of the corporation. The corporation is a necessary party to the suit. It is a suit filed by a person who must be a shareholder to enforce a corporation's cause of action.
    a. Derivative suit
    b. Individual suit
    c. Representative suit
    d. Shareholders' suit

336. The following are the requisites to be complied with for derivative suit to prosper, **except**
    a. The plaintiff was a stockholder or member at the time the questioned act or transaction subject of the action occurred, as well at the time the action was filed, and remains as such during the pendency of the action.
    b. The plaintiff exerted all reasonable efforts, and alleges with particularity in the complaint, to exhaust all remedies available under the articles of incorporation, by-laws, or rules governing the corporation to obtain the relief he desires.
    c. The relief suit pertains to the corporation.
    d. The suit is not a nuisance or harassment suit.
    e. Appraisal rights are not available to the petitioning stockholder for the act or acts complained of.
    f. Derivative suit must be filed before SEC only

337. It is an action brought by a stockholder against the corporation for direct violation of his contractual rights.
    a. Derivative suit
    b. Individual suit
    c. Representative suit
    d. Shareholders' suit

338. In which of the following causes of action is individual suit the proper remedy instead of derivative suit?
    a. If there is wastage or improper diversion of corporate funds by reason of hiring officers whose main purpose is to shield the chairman from criminal prosecution.
    b. Where the director of the corporation permitted the fraudulent transaction to go unpunished.
    c. To enforce preemptive rights in a corporation.
    d. None of the above

339. It refers to an action brought by a person in his own behalf or on behalf of all similarly situated.
    a. Derivative suit
    b. Individual suit
    c. Representative suit
    d. Shareholders' suit

340. The following are the instances of issuance of watered stock, **except**
    a. Issuance of shares without consideration – bonus share
    b. issuance of shares as fully paid when the corporation has received a lesser sum of money than its par or issued value – discount share
    c. Issuance of shares for a consideration other than actual cash such as property or services the fair valuation of which is less than its par or issued price
    d. Issuance of stock dividend where there are no sufficient retained earnings or surplus to justify it
    e. Issuance of treasury shares for less than their par or issued price

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341. Who shall be liable for issuance of watered stocks?
    a. Only the consenting director or officer
    b. Only the consenting director or officer and subscriber
    c. Only the consenting director or officer, subscriber and subsequent transferee
    d. Consenting director/officer, non-objecting director/officer despite knowledge of issuance of watered stock, subscriber, subsequent transferor and transferee

342. What are the theories that have been advanced for holding stockholders and officers liable for watered stocks?
    a. Subscription contract theory which holds that the subscription contract is the source and measure of the duty of a subscriber to pay for his shares and if the contract releases him from further liability, the subscriber ceases to be liable.
    b. Fraud theory which holds the shareholder liable for watered stock on the basis of tort or misrepresentation, the wrong done to the creditor is fraud or deceit in falsely representing that the par value has been paid or agreed to be paid in full.
    c. Trust fund doctrine under which all corporate creditors would have legal basis to recover against stockholder and guilty officers since the corporate assets are considered trust fund for payment of corporate debts.
    d. Any of the above.

343. What is the nature of liability of persons responsible for the issuance of watered stock?
    a. They shall be jointly liable for the par value of the shares.
    b. They shall be solidarily liable for the par value of the shares.
    c. They shall be jointly liable for the difference between the fair value received at the time of issuance of stock and the par or issue value of the same.
    d. They shall be solidarily liable for the difference between the fair value received at the time of issuance of stock and the par or issue value of the same.

344. When may a corporation release a subscriber from his post-incorporation subscription, in whole or in part?
    a. When there is express or implied consent of all the other shareholders.
    b. When there is no prejudice to corporate creditors meaning that the total assets will still exceed total liabilities.
    c. When both A and B are present.
    d. When either A or B is present.

345. When may a corporation charge an interest on unpaid subscription **not** yet declared delinquent?
    a. From the date of subscription regardless of provision in the by-laws and subscription contract
    b. From the date of subscription when required by subscription contract or by-laws at the rate fixed in the by-laws or legal rate (which is 6% on or after July 1, 2013 or 12% before July 1, 2013) if no rate is stated. The agreement to pay interest must be made in writing to be valid.
    c. Only from the moment there is judicial or extrajudicial demand.
    d. It cannot charge any interest

346. Under Revised Corporation Code, what is the interest rate on unpaid subscription?
    a. Rate of interest fixed in the subscription contract or legal interest rate in the absence of rate fixed in the subscription contract
    b. Rate of interest fixed in the by-laws or legal interest rate in the absence of rate fixed in the by-laws
    c. Legal interest rate
    d. Market rate

347. Subject to the provisions of subscription contract, when may a corporation charge legal interest on delinquent stocks?
    a. From the date of delinquency even in the absence of provision in the by-laws and subscription contract
    b. From the date of delinquency only if provided in the by-laws
    c. From the date of delinquency only if provided by the subscription contract
    d. From the date of delinquency only if provided in the by-laws and subscription contract

348. It refers to the resolution or formal declaration of the board that the unpaid subscriptions are due and payable. It may also refer to the notification of such board's resolution to the stockholders.
    a. Call
    b. Order
    c. Judgment
    d. Decision

349. When will the unpaid subscription be considered delinquent?
    a. If the subscription contract fixes the date for payment, failure to pay on such date shall render the entire balance due and payable with interest. Thirty days therefrom, if still unpaid, the share shall become delinquent.
    b. If no date is fixed in the subscription contract, the board of directors can make the call for payment and specify the due date. Notice of call is mandatory. Failure to pay on the date fixed in the call shall render the entire balance due and payable with interest. Thirty days therefrom, if still unpaid, the share shall become delinquent.
    c. Either A or B
    d. Neither A nor B

350. How many days shall lapse from the due date fixed in the subscription contract or from the date fixed in the call made by the Board of Directors for the shares to be delinquent if still unpaid?
    a. 30 days
    b. 60 days
    c. 20 days
    d. 15 days

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351. When is a call of board of directors **not** necessary to make the unpaid balance of subscription contract due and demandable to the corporation?
    a. When, under the terms of the subscription contract, subscription is payable, not upon call, but immediately, on a specified date, or when it is payable in installments at specified times.
    b. When the corporation becomes insolvent, which makes the liability on the unpaid subscription due and demandable regardless of any stipulation to the contrary in the subscription agreement.
    c. Either A or B.
    d. Neither A nor B.

352. The Board of Director has the option to file a civil case for the collection of the unpaid subscription or the Board of Directors may, by resolution, order the sale of delinquent stock and shall specify the amount doe on each subscription plus all accrued interest and the time, date and place of the sale. What is the period fixed by law for the public auction/sale of delinquent shares?
    a. Not less than 30 days nor more than 60 days from the date the stocks become delinquent.
    b. Not less than 60 days nor more than 90 days from the date the stocks become delinquent.
    c. Not less than 20 days nor more than 40 days from the date the stocks become delinquent.
    d. Not less than 15 days nor more than 45 days from the date the stocks become delinquent.

353. The by-laws of the Corporation provides that the Board may deduct an amount from the net profit to be applied to unpaid subscription already declared delinquent. In this situation, what remedies may be availed by the Board to collect payment from the delinquent unpaid subscription?
    a. Only to sell the delinquent unpaid subscription in accordance with Sections 38 to 48 of BP 68.
    b. Only to file a civil action before trial court for collection of a sum of money.
    c. Only to deduct the said unpaid balance from the corporation's net profit because that is the provision of the by-laws.
    d. Any of the above remedies subject to the absolute discretion of the Board.

354. On January 1, 2001, Suarez subscribed in writing to 10 shares of stocks but paid only the value of the four shares without agreement as to the date of payment of the balance. On December 31, 2012, the Board of Directors made a call for the payment of the unpaid subscription on January 30, 2013. May the Board still collect the balance today if today is February 14, 2017?
    a. No because a written contract prescribes in a period of 10 years counted from the date of subscription.
    b. Yes because prescription runs only from January 30, 2013, the date the obligation becomes due and demandable and not from the date of subscription contract.
    c. No if the company president released Suarez from the subscription obligation.
    d. Yes but only through delinquency sale but not through ordinary civil action.

355. Who shall be considered the highest bidder in a delinquency sale/public auction?
    a. The person participating in the delinquency sale who offers to pay the full amount of the balance of the subscription together with the accrued interest, costs of advertisement and expenses of sale, for the smallest number of shares.
    b. The person participating in the delinquency sale who offers to pay the full amount of the balance of the subscription together with the accrued interest, costs of advertisement and expenses of sale, for the highest number of shares.
    c. The person participating in the delinquency sale who offers to pay the full amount of the balance of the subscription excluding the accrued interest, costs of advertisement and expenses of sale, for the smallest number of shares.
    d. The person participating in the delinquency sale who offers to pay the full amount of the balance of the subscription excluding the accrued interest, costs of advertisement and expenses of sale, for the highest number of shares.

356. In the absence of any bidder, what shall happen to the delinquent shares and the related costs?
    a. It shall be acquired by the corporation and debited to expense
    b. It shall be acquired by the corporation and debited to intangible asset
    c. It shall be acquired by the corporation and debited to treasury shares
    d. It shall be acquired by the corporation and debited to share premium

357. Is the delinquent shareholder entitled to any share/ certificate of stock?
    a. No, in any case
    b. Yes to the remainder shares upon distribution to the highest bidder of his bid shares or corporation of the treasury shares
    c. Yes to all delinquent shares
    d. No in case the corporation is the purchaser of the delinquent shares

358. The following are the effects of delinquency of shares, **except**
    a. It accelerates the entire amount of the unpaid subscription.
    b. It subjects the shares to interests, expenses and costs.
    c. It disenfranchises the shares from any right that inherent to a shareholder, except to those right to dividends provided by law.
    d. It disqualifies the shareholders from receiving cash dividends and entitlement to stock dividends.

359. The following statements concerning the effects of delinquency of stocks are true, **except**
    a. A delinquent stockholder seeking to be elected as director may not be a candidate for, nor be duly elected, to board.
    b. No delinquent stock shall be voted for nor be entitled to vote or representation at any stockholders meeting.
    c. Delinquent stock has the right to receive cash dividends but shall be applied first to balance of subscription.
    d. Delinquent stock shall be entitled to stock dividends but it shall be withheld from the delinquent stockholder until his unpaid subscription is fully paid.
    e. Delinquent stock shall be included in determining the existence of quorum for election of directors.

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360. A party questioning the regularity of delinquency sale on the ground of defect on the notice of sale may maintain the court action only if he has tendered the sum paid by the highest bidder in the public sale. What is the prescriptive period for filing the complaint questioning the regularity of the delinquency sale/ public sale?
    a. 6 months from the date of delinquency sale
    b. 3 months from the date of delinquency sale
    c. 12 months from the date of delinquency sale
    d. 1 month from the date of delinquency sale

361. Subscribers of stocks, which are not declared delinquent, are entitled to all rights of shareholders. Which of the following is the right **not** available to unpaid subscribed shares **not** yet declared delinquent?
    a. Right to vote at stockholders' meeting
    b. Right to issuance of stock certificate
    c. Right to receive dividends
    d. Right to protect his interest in appropriate action

362. The rights of delinquent shareholder are suspended at the time of delinquency. What right is still available to a delinquent shareholder?
    a. Right to vote at stockholders' meeting
    b. Right to inspect corporate books
    c. Right to cash dividends to be offsetted to his balance and right to stock dividends which will be withheld until full payment of the subscription balance
    d. Right to exercise appraisal right

363. Where the consideration for the shares subscribed is other than cash, when can the shareholders exercise the rights of regular stockholder?
    a. Upon approval by the board of director of the valuation
    b. Upon approval by the SEC of the valuation
    c. Upon consent of the shareholders
    d. Upon approval by the company president

364. The following are the procedures to be followed for the issuance by a corporation of new certificate of stocks in lieu of those which have been lost, stolen or destroyed. (No answer, Just enumeration)

    1. The registered owner of a certificate of stock in a corporation or his legal representative shall file with the corporation an affidavit in triplicate setting forth, if possible, the circumstances as to how the certificate was lost, stolen or destroyed, the number of shares represented by such certificate, the serial number of the certificate and the name of the corporation which issued the same. He shall also submit such other information and evidence which he may deem necessary;

    2. After verifying the affidavit and other information and evidence with the books of the corporation, said corporation shall publish a notice in a newspaper of general circulation published in the place where the corporation has its principal office, once a week for three (3) consecutive weeks at the expense of the registered owner of the certificate of stock which has been lost, stolen or destroyed. The notice shall state the name of said corporation, the name of the registered owner and the serial number of said certificate, and the number of shares represented by such certificate, and that after the expiration of one (1) year from the date of the last publication, if no contest has been presented to said corporation regarding said certificate of stock, the right to make such contest shall be barred and said corporation shall cancel in its books the certificate of stock which has been lost, stolen or destroyed and issue in lieu thereof new certificate of stock, unless the registered owner files a bond or other security in lieu thereof as may be required, effective for a period of one (1) year, for such amount and in such form and with such sureties as may be satisfactory to the board of directors, in which case a new certificate may be issued even before the expiration of the one (1) year period provided herein: Provided, That if a contest has been presented to said corporation or if an action is pending in court regarding the ownership of said certificate of stock which has been lost, stolen or destroyed, the issuance of the new certificate of stock in lieu thereof shall be suspended until the final decision by the court regarding the ownership of said certificate of stock which has been lost, stolen or destroyed.

365. When may a corporation be sued in case it issued a certificate of stock in lieu of those stolen, lost or destroyed pursuant to the procedures enumerated in the preceding number?
    a. When it followed the procedures provided by law.
    b. When it is guilty of bad faith, fraud or negligence.
    c. When it is in good faith.
    d. When it is issued through court order.

366. The following are the rights of a shareholder to control and management**, except**
    a. To attend and vote in person/proxy at stockholders' meeting
    b. To elect and remove directors
    c. To approve certain corporate acts
    d. To compel the calling of meetings
    e. To have the corporation voluntarily dissolved
    f. To enter into a voting trust agreement
    g. To adopt/amend/repeal the by-laws or adopt new by-laws
    h. To object and amend the decision made by Board on acts of management

367. The following are the property rights of a shareholder, **except**
    a. To transfer of stock in the corporate book
    b. To receive dividends when declared by board of directors
    c. To issuance of certificate of stock/other evidence of stock ownership
    d. To participate in distribution of corporate assets upon dissolution but only after payment of liabilities to corporate creditors
    e. To pre-emption in the issue of shares of a corporation
    f. To possess and co-own corporate assets

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368. The following are the remedial rights of a shareholder, **except**
    a. To inspect corporate books
    b. To recover stock unlawfully sold for delinquency
    c. To demand payment in the exercise of appraisal right
    d. To be furnished recent financial statements/reports of the corporation's operations
    e. To bring derivative, representative or individual suits
    f. To bring nuisance suits and harassment suits

369. The following are the liabilities of stockholders, **except**
    a. To be personally liable like general partners to corporate creditor
    b. To be liable to the corporation for unpaid subscription
    c. To be liable to the corporation for interest on unpaid subscription
    d. To be liable for creditors of the corporation on unpaid subscription
    e. To be liable for watered stock
    f. To be liable for dividends unlawfully paid
    g. To be liable for failure to create corporation

370. When does the right of stockholders to share proportionately in the distribution of the net assets of the corporation accrue or arise?
    a. Upon dissolution after the obligations to the creditors of the corporation have been settled.
    b. Upon realization of the other comprehensive income.
    c. Upon profitable operation of the company.
    d. Upon incurring growth in the company's operation.

371. The following are the books or records to be kept by the corporation, **except**
    a. Book of all business transactions
    b. Book of minutes of all meetings of shareholders/members
    c. Book of minutes of all meetings of directors/trustees
    d. Stock and transfer book in case of stock corporation
    e. Annual financial statements
    f. Annual report to the SEC
    g. Report of election of directors/trustees/officers within 30 days from said election
    h. Confidential book involving bribes

372. It refers to corporate book which contains the record of all stocks in the names of the stockholders alphabetically arranged; the installment paid and unpaid on all stock for which subscription has been made, and the date of payment of any installment; a statement of every alienation, sale or transfer of stock made, the date thereof, and by and to whom made; and such other entries as the by-laws may prescribe. It must be set up and registered by the Corporation with the SEC within 30 days from receipt of its certificate of registration.
    a. Stock and transfer book
    b. Accounting book
    c. Cash flow book
    d. Liability book

373. Under Revised Corporation Code, unless the bylaws provide for a longer period, the stock and transfer book or membership shall be closed how many days before the scheduled meeting in case of regular meeting of stockholders?
    a. at least twenty (20) days before the scheduled date of the regular meeting
    b. at least seven (7) days before the scheduled date of the regular meeting
    c. at least ten (10) days before the scheduled date of the regular meeting
    d. at least fifteen (15) days before the scheduled date of the regular meeting

374. Under Revised Corporation Code, unless the bylaws provide for a longer period, the stock and transfer book or membership shall be closed how many days before the scheduled meeting in case of special meeting of stockholders?
    a. at least seven (7) days before the scheduled date of the special meeting
    b. at least twenty (20) days before the scheduled date of the special meeting
    c. at least ten (10) days before the scheduled date of the special meeting
    d. at least fifteen (15) days before the scheduled date of the special meeting

375. Where shall the stock and transfer book be kept to be available for inspection to any director or stockholder of the corporation at reasonable hours on business days?
    a. Principal office of the corporation
    b. Office of the stock transfer agent, if one is engaged
    c. Either A or B
    d. Neither A nor B

376. What is the requirement before a stock transfer agent or one engaged principally in the business of registering transfer of stocks in behalf of a stock corporation to operate in the Philippines?
    a. There must be a license renewable annually from SEC and payment of registration fees.
    b. The agent must be a corporation.
    c. The agent must be a sole proprietor.
    d. The agent must be a partnership.

377. In the absence of stock transfer agent hired by the Corporation, who has the sole authority and responsibility to make entries in the stock and transfer book which means that entries made by other officers will be null and void?
    a. Corporate secretary
    b. Corporate treasurer
    c. Chairman of the board
    d. Corporate president

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378. Under Section 97 of NIRC, what is the document required to be submitted to Corporate Secretary before the latter may effect transfer of shares to any new owner in the books of the corporation?
    a. Notarized deed of sale of shares of stocks
    b. Certification from CIR stating that the corresponding tax related to the transfer has been paid
    c. Authenticated copy of last will and testament
    d. Photocopy of official receipt

379. What is the effect if an officer or agent without justifiable reason refuses to allow any director or stockholder to examine and copy excerpts from its corporate records or meetings?
    a. Such officer or agent is liable for civil damages.
    b. Such officer or agent is liable criminally for violation of Corporation Code
    c. Both A and B
    d. Neither A nor B

380. The following are the persons given the right to inspect corporate books, **except**
    a. Any director, trustee, stockholder or member
    b. Delinquent stockholder but only in exceptional cases to protect his right
    c. Voting trust certificate holder
    d. Stockholder of a sequestered company
    e. Beneficial owner of shares
    f. Delinquent stockholder for all purposes

381. What is the period for the compliance by the corporation of the demand by a stockholder of its most recent financial statements?
    a. Within 10 days from receipt of written demand
    b. Within 20 days from receipt of written demand
    c. Within 30 days from receipt of written demand
    d. Within 60 days from receipt of written demand

382. When shall the board of directors present to the stockholders the financial report of the operations of the corporation for the preceding year which shall include financial statements duly signed and certified by an independent CPA?
    a. In every special meeting called by the President
    b. At the regular meetings of stockholders
    c. At the end of the year
    d. At April 15 of the succeeding year

383. Under Revised Corporation Code, unless changed by Department of Finance Secretary, how much is the total assets or total liabilities of the corporation for the financial statements to be required to be audited by CPA?
    a. At least P600,000 of total assets or total liabilities
    b. At least P100,000 of total assets or total liabilities
    c. At least P1,000,000 of total assets or total liabilities
    d. At least P500,000 of total assets or total liabilities

384. Under Revised Corporation Code, if the total assets and total liabilities of the corporation is less than P600,000, what minimum financial statements may be presented to the stockholders?
    a. At least audited by CPA who is a sole practitioner
    b. At least audited by a notary public
    c. At least audited by a big auditing firm
    d. At least certified under oath by the corporate treasurer and the president

385. The following are the rights of stockholders to corporate books and records including that of the corporation's subsidiaries, **except**
    a. Right of inspection
    b. Right to demand a list of stockholders
    c. Right to duplication of trade secrets
    d. Right to demand a detailed auditing of business expenditures
    e. Right to examine books of the corporation's subsidiary
    f. Rights to financial statements

386. What is the basis of the stockholder's right of inspection?
    a. Necessity of self-protection or self-preservation
    b. Necessity of self-destruction
    c. Necessity of self-impairment
    d. Necessity of self-amortization

387. The following are the limitations on the right of inspection, **except**
    a. The right must be exercised during reasonable hours on business days.
    b. The person demanding the right has not improperly used any information obtained through any previous examination of the books and records of the corporation.
    c. The demand is made in good faith or for legitimate purpose.
    d. The demand must always be made by the stockholders only.

388. The following are purposes of inspection by a shareholder which may warrant denial by corporation, **except**
    a. To obtain information as to business secrets or to assist reveal business secrets
    b. To secure business prospects or investment advertising list for the purpose of selling it to an advertising agency
    c. To find technical defects in corporate transactions in order to bring nuisance or strike suits for purposes of blackmail or extortion
    d. To obtain information intended to be published as to embarrass the company business
    e. To ascertain the value of shares of stocks for sale or investment

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389. What are the remedies available to a stockholder in case the corporate officer in custody of corporate books or records refuses without justifiable reason to permit the inspection?
    a. File a petition for mandamus against the said corporate officer.
    b. File an action for damages against the said corporate officer.
    c. File a criminal action for violation of BP 68 against the responsible officer.
    d. Any of the above.

390. It refers to a business combination whereby one or more existing corporations are absorbed by another corporation which survives and continues the combined business. (PNB + Allied Bank = PNB)
    a. Merger
    b. Consolidation
    c. Joint arrangement
    d. Joint venture

391. It refers to a business combination whereby two or more existing corporations form a new corporation different from the combining corporation. (Equitable Bank + PCI Bank = Equitable PCI Bank)
    a. Merger
    b. Consolidation
    c. Joint arrangement
    d. Joint venture

392. What is the required vote for the approval or ratification of merger or consolidation?
    a. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least 2/3 of the outstanding capital stock of the merging or consolidating corporations.
    b. Approval by at least majority vote of the board of directors and ratification by stockholders representing at least majority of the outstanding capital stock of the merging or consolidating corporations.
    c. Approval by stockholders representing at least 2/3 of the outstanding capital stock of the merging or consolidating corporations.
    d. Approval by at least majority vote of the board of directors merging or consolidating corporations.

393. Which of the following is **not** a requisite for merger or consolidation?
    a. It must be approved by the board of directors of each corporation by at least majority vote.
    b. There must be ratification by vote of stockholders representing at least 2/3 of outstanding capital stock or members.
    c. There must be approval by the Securities and Exchange Commission.
    d. There must be consent or approval of the creditors of the corporation.

394. When one corporation buys all the shares of another corporation, what is the effect, as a general rule? (SM Inc. acquires 100% of common stocks of SMDC Inc.)
    a. This will result automatically to merger.
    b. This will result automatically to consolidation.
    c. This will operate to dissolve the acquired corporation.
    d. The entities will maintain their separate entities and one will not answer for the debts of the other.

395. A corporation shall be liable to the liabilities of another corporation in the following cases, **except**
    a. If the purchase was made in fraud in creditors. (Fraud cases)
    b. If there is an express assumption of liabilities. (Solidary liability)
    c. If there is a consolidation or merger. (Business-enterprise level acquisition)
    d. If the purchaser is merely a continuation or a mere alter ego of the seller. (Alter Ego Doctrine)
    e. If the purchase results to control or significant influence. (Acquisition of common stocks of subsidiary)

396. In which of the following types of acquisition shall the purchaser be liable to the debts of the acquiree?
    a. Asset-level only which involves acquisition only of one or some but not all the assets of the acquiree
    b. Equity level which involves acquisition of common stocks of a subsidiary
    c. Business-enterprise level which involves continuation by transferor of transferee's business

397. Spin-off refers to the transfer of division, portion or operating segment of a corporation to a new corporation that will arise by the process which may constitute it into a subsidiary of the original corporation. Will the workers transferred to the new corporation still form part of the labor union of the original corporation?
    a. No if the spin-off was done for valid business cause and in good faith.
    b. Yes because it amounts to merger or consolidation.
    c. No under all circumstances.
    d. Yes because it will always amount to circumvention of labor right to association.

398. The following are the legal effects of merger or consolidation, **except**
    a. There is automatic transfer of assets and the liabilities of the absorbed corporation or constituent corporations which are dissolved to the merged corporation or constituted corporation.
    b. The absorbed or constituent corporations are ipso facto dissolved by operation of law without necessity of any further act or deed meaning the separate existence of the constituent corporations shall cease.
    c. It will neither prejudice the rights of creditors nor impair any lien of the creditor over the property of the absorbed corporations.
    d. It involves exchanges of properties, a transfer of the assets of the constituent corporations in exchange for securities in the new or surviving corporation.
    e. It neither involves winding up or liquidation of the affairs of the constituent corporations in the sense that their assets are distributed to the stockholders.
    f. Consent of the creditors is necessary and required.

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399. What is the effectivity date of the merger or consolidation?
    a. Date of submission of the articles of merger or consolidation to the SEC.
    b. Upon publication of the articles of merger or consolidation.
    c. 2 weeks after the publication of the articles of merger or consolidation.
    d. Date of issuance by SEC of certificate of merger or consolidation.

400. It refers to the right to demand payment of the fair value of his shares, after dissenting from a proposed corporate action involving a fundamental change in the corporation in the cases provided by law. This right may be waived by a shareholder if he has done so knowingly and intelligently.
    a. Pre-emptive right
    b. Appraisal right
    c. Pactum right
    d. Demandable right

401. The following are the instances where appraisal right is available to a dissenting stockholder **(AIM-CSC)**, **except**
    a. **A**mendment to the articles that has the effect of changing or restricting the rights of shareholder, or of authorizing preference over those of outstanding shares
    b. **I**nvestment of corporate funds in another corporation or in a purpose other than the primary purpose.
    c. **M**erger or consolidations
    d. **C**hanging the term (whether shortening or extending of corporate term) of corporate existence.
    e. **S**ale, encumber, pledge, mortgage or other disposition of all or substantially all of the corporate property or assets.
    f. In a **C**lose corporation, a stockholder may for any reason, compel the corporation to purchase his shares when the corporation has sufficient assets in its books to cover its debts and liabilities exclusive of capital stock.
    g. Increasing or decreasing authorized capital stock or incurring/increasing bond indebtedness or distribution of stock dividends or approval of management contract or amendment of by-laws

402. What is the period for making a written demand on the corporation by a dissenting stockholder for the exercise of his appraisal rights?
    a. within 30 days after the date on which the vote was taken
    b. within 10 days after the date on which the vote was taken
    c. within 20 days after the date on which the vote was taken
    d. within 40 days after the date on which the vote was taken

403. What is the period for submission of certificate of stocks to the corporation for notation as being dissenting stocks in the exercise of appraisal right by a stockholder?
    a. within 10 days from his written demand to withdraw.
    b. within 20 days from his written demand to withdraw.
    c. within 30 days from his written demand to withdraw.
    d. within 40 days from his written demand to withdraw.

404. If within 60 days from the approval of corporation action by stockholders, the dissenting stockholder and the corporation cannot agree on the fair value of the shares, who shall determine the price of shares?
    a. Three disinterested persons, one named by the stockholder, another named by the corporation and the third chosen by the two whose decision by majority is binding and final.
    b. The dissenting shareholder
    c. The Securities and Exchange Commission
    d. The Commercial Court

405. How many days from the approval or decision of the appraisers of stocks shall the amount be paid to the dissenting shareholders?
    a. 30 days
    b. 20 days
    c. 10 days
    d. 60 days

406. What is the valuation date for the determination of fair value of shares in the exercise of appraisal right?
    a. The day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action
    b. The date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action
    c. Next day of the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action
    d. None of the above.

407. The following are the effects of exercise of appraisal right, **except**
    a. All rights accruing to such shares shall be suspended from time of demand for payment of the fair value of the shares until either the abandonment of the corporate action.
    b. The dissenting stockholder shall be entitled to receive payment of the fair value of shares thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.
    c. Upon payment of the fair value of shares, all the rights of dissenting stockholders are terminated and not merely suspended. However, presence of unrestricted retained earnings is necessary before payment to dissenting stockholders.
    d. If the dissenting shareholder is not paid the fair value of the shares within 30 days from the award, his voting and dividend rights shall be immediately restored.
    e. A dissenting shareholder who demands payment of fair value of his shares is allowed to withdraw from his decision even without the consent of the corporation.

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408. As a general rule, no demand for payment by way of exercise of appraisal right may be withdrawn by a dissenting shareholder unless the corporation consents thereto. The following are the exceptional cases wherein the dissenting shareholder may withdraw his demand for payment, **except**
    a. If such demand for payment is withdrawn with the consent of the corporation.
    b. If the proposed corporate action is abandoned or rescinded by the corporation.
    c. If the proposed corporate action is disapproved by the SEC where such approval is necessary.
    d. If the SEC determines that such shareholder is not entitled in appraisal right.
    e. If the dissenting shareholder has already received the fair value of his shares.

409. Who shall bear the cost and expenses of appraisal of the fair value of the shares of a dissenting shareholder?
    a. Dissenting stockholder unless stipulated
    b. Always corporation
    c. Always dissenting stockholder
    d. General rule, the corporation except when the price offered by the corporation approximates the fair value determined by the appraiser, in which case, the dissenting stockholder will now be liable

410. It is a corporation where **no** part of its income is distributable as dividends to its members and the capital of the corporation is **not** divided into shares of stocks.
    a. Stock corporation
    b. Non-stock corporation
    c. Open corporation
    d. Close corporation

411. Which of the following are the requisites of a non-stock corporation?
    a. It does not have capital stock divided into shares.
    b. No part of whose income is, during its existence, distributable as dividends to its members, trustees, or officers.
    c. Both A and B
    d. Neither A nor B

412. Which of the following statements is **true**?
    a. A stock corporation may be converted to non-stock corporation by mere amendment of articles of incorporation.
    b. A nonstock corporation may be converted to stock corporation by mere amendment of articles of incorporation.
    c. Both A and B
    d. Neither A nor B

413. How may a non-stock corporation be converted to a stock corporation?
    a. By mere amendment of articles of incorporation
    b. By dissolving the nonstock corporation and forming a new stock corporation
    c. Either A or B
    d. By amendment of by-laws

414. The following statements pertaining to non-stock corporation are correct, **except**
    a. Owners may be deprived of the right to vote by proxy in the articles or by-laws.
    b. Owners cannot transfer their ownership unless allowed by the articles or by-laws
    c. Voting by mail or other similar means in the election of the board may be authorized by by-laws with approval of SEC.
    d. Membership shall be terminated in the manner and for the causes provided in the articles of incorporation or the by-laws.
    e. Officers of the non-stock corporation may be elected directly by the members unless otherwise provided in the by-laws.
    f. Cumulative voting is available in the election of the members of the board of trustees even if not authorized in the corporate by-laws.

415. Unless otherwise provided in the articles of incorporation or by-laws, what is the number of the board of trustees of ordinary nonstock corporation?
    a. It should be not less than 5 but not more than 15.
    b. The number of trustees shall be fixed in the articles of incorporation or bylaw which may or may not be more than fifteen (15)
    c. It should be not less than 5 but not more than 10.
    d. It should be not less than 5 but not more than 20.

416. What is the term of office of the Board of Trustees of an ordinary non-stock corporation?
    a. One year
    b. Two years
    c. Three years
    d. Four years

417. What is the location of the regular or special meetings of members of a non-stock corporation?
    a. The place shall be in the principal office of the corporation.
    b. At any place even outside the principal office of the corporation as long as provided in the by-laws and within the Philippines.
    c. The place shall be in the residence of the founding members.
    d. The place shall be in the residence of the President.

418. The following rules are applicable only to non-stock corporation, **except**
    a. Prohibition against distribution of dividends.
    b. Non-profit character of corporation.
    c. The right to vote cannot be limited or even denied in the articles of incorporation or by-laws
    d. A corporation is not qualified to occupy the position of a trustee.

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419. What is the nature of transferability of membership in a nonstock corporation?
    a. Membership in a non-stock corporation and all rights arising therefrom are personal and non-transferable, unless the articles of incorporation or the by-laws otherwise provide.
    b. Membership in a non-stock corporation and all rights arising therefrom are not personal and transferable, unless the articles of incorporation or the by-laws otherwise provide.
    c. Membership in a non-stock corporation is a property right that can be transferred automatically.
    d. None of the above.

420. Which of the following statements is **true** concerning termination of membership in a nonstock corporation?
    a. Membership shall be terminated in the manner and for the causes provided in the articles of incorporation or the by-laws.
    b. Termination of membership shall have the effect of extinguishing all rights of a member in the corporation or in its property, unless otherwise provided in the articles of incorporation or the by-laws.
    c. Both A and B
    d. Neither A nor B

421. The order of priority for the distribution of non-stock corporation's assets in case of dissolution is provided below. **(No answer, just indication of priority)**
    a. All liabilities and obligations of the corporation shall be paid, satisfied and discharged, or adequate provision shall be made therefore.
    b. Assets held by the corporation upon a condition requiring return, transfer or conveyance, and which condition occurs by reason of the dissolution, shall be returned, transferred or conveyed in accordance with such requirements.
    c. Assets received and held by the corporation subject to limitations permitting their use only for charitable, religious, benevolent, educational or similar purposes, but not held upon a condition requiring return, transfer or conveyance by reason of the dissolution, shall be transferred or conveyed to one or more corporations, societies or organizations engaged in activities in the Philippines substantially similar to those of the dissolving corporation according to a plan of distribution adopted pursuant to the Corporation Code.
    d. Assets other than those mentioned in the preceding paragraphs, if any, shall be distributed in accordance with the provisions of the articles of incorporation or the by-laws, to the extent that the articles of incorporation or the by-laws, determine the distributive rights of members, or any class or classes of members, or provide for distribution.
    e. In any other case, assets may be distributed to such persons, societies, organizations or corporations, whether or not organized for profit, as may be specified in a plan of distribution adopted pursuant to the Corporation Code.

422. What is the required vote for the approval of the resolution recommending a plan of distribution of non-stock corporation's assets?
    a. Approval by at least majority vote of the trustees and ratification by at least 2/3 of the members having voting rights.
    b. Approval 2/3 of the members having voting rights.
    c. Approval by at least majority vote of the trustees and ratification by at least majority of the members having voting rights.
    d. Approval by at least majority of the members.

423. It refers to a type of stock corporation whose stockholders must not exceed the maximum limit of 20 and whose transfer of shares is normally subject to restriction normally a right of first refusal.
    a. Ordinary corporation
    b. Family-owned corporation
    c. Closely-held corporation
    d. Close corporation

424. What is the maximum number of stockholders in a close corporation?
    a. 20 stockholders
    b. 5 stockholders
    c. 10 stockholders
    d. 15 stockholders

425. In order to be classified as a close corporation, it must strictly comply with the requirements of law. The following are the requisites of a close corporation to be classified as such, **except**
    a. The number of stockholder must not exceed 20.
    b. Issues stocks are subject to transfer restrictions such as right of first refusal or a right of preemption in favor of the stockholders or the corporation.
    c. The corporation shall not be listed in the stock exchange or its stocks should not be public offered
    d. At least 2/3 of the voting stocks or voting rights are not owned or controlled by another corporation which is not a close corporation.
    e. The close corporation must engage in business imbued with public interest.

426. The following are the characteristics of a close corporation, **except**
    a. Stockholders may act as directors without need of election and therefore liable as directors.
    b. Stockholders involved in the management of the corporation are liable as directors.
    c. Quorum may be greater than mere majority.
    d. The corporate officers or employees may be elected or employed directly by the stockholders instead by the board of directors.
    e. Transfers of stocks to others, which would increase the number of stockholders to more than the maximum of 20 are invalid.
    f. Corporate actuations may be binding even without a formal board meeting.
    g. Appraisal rights can be exercised by stockholders regardless of existence of unrestricted retained earnings.

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h. Pre-emptive right is absolute and available to all stock issuances unless restricted by the articles of incorporation.
i. Deadlocks are settled by the SEC who may compel the close corporation to purchase the shares of some stockholders regardless of existence of unrestricted retained earnings.
j. It may be formed by any type of business or industry.

427. The following companies are **not** allowed be incorporated as a close corporation **(I-COME-BSP)**, **except**
a. **I**nsurance companies
b. **C**orporations vested with public interest
c. **O**il companies
d. **M**ining companies
e. **E**ducational institutions
f. **B**anks
g. **S**tock exchange
h. **P**ublic utilities
i. Retail, Service, Manufacturing, Restaurant, Real Estate Business or Review School

428. The following are the requisites for validity of restrictions on transfers of shares of close corporation and in order to bind purchaser thereof in good faith, **except**
a. It shall not be more onerous than granting the existing shareholders or the corporation the option to purchase the shares of the transferring stockholders within the option period.
b. It must appear in the articles of incorporation
c. It must be provided in the by-laws
d. It shall be provided in the certificate of stock
e. It shall absolutely prohibit the stockholder from selling the shares.

429. Which of the following is **not** a valid restriction in the transfer of shares in a close corporation?
a. Preemptive right
b. Right of first refusal
c. Right of first option
d. Right of prior consent
e. Buy-back agreement
f. Non-competition clause
g. Absolution prohibition to transfer shares

430. The articles of incorporation of close corporation may provide that the business of the corporation shall be managed by the shareholders of the corporation rather than by a board of directors. The following are the effects where stockholders are managers in a close corporation, **except**
a. There is no need to elect directors.
b. The stockholders concerned shall be deemed to be the directors.
c. The stockholder shall have the same liabilities as directors.
d. The stockholder is not personally liable for corporate torts.

431. Unless otherwise provided in the by-laws, the following actions by the directors of a close corporation even without Board of Director's meeting shall be valid, **except**
a. Before or after such action is taken, written consent thereto is signed by all the directors.
b. All the stockholders have actual or implied knowledge of the action and make no prompt objection thereto in writing.
c. The directors are accustomed to take informal action with the express or implied acquiescence of all the stockholders.
d. All the directors have actual or implied knowledge of the action in question and none of them makes prompt objection thereto in writing.
e. The action of the director is in bad faith against the close corporation and without the knowledge of other directors.

432. If a board of director's meeting of a close corporation is held without proper call or notice, when is a corporate action decided in that meeting deemed ratified by a director who failed to attend?
a. If he promptly gives his written objection with the corporate secretary after having knowledge thereof.
b. If the action is committed to defraud the corporation.
c. If the action is outside the corporate powers of the corporation.
d. If the action is within the corporate powers and the absent directors failed to give his written objection with the corporate secretary after having knowledge thereof.

433. What is the nature of preemptive right of a stockholder in a close corporation?
a. Its existence depends upon the provision of articles of incorporation.
b. It is based on the provision in the by-laws.
c. It is absolute unless limited or curtailed by the articles of incorporation.
d. It depends upon the contractual agreement.

434. Is preemptive right in a close corporation still available to a close corporation when shares are to be issued in exchange property needed for corporate purposes or in payment of a previously contracted debt?
a. Yes because the preemptive right of a stockholder in a close corporate is absolute unless limited by articles of incorporation.
b. No because BP 68 provides otherwise.
c. No because that is needed by the corporation.
d. Yes but only if there is provision in articles of incorporation

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435. What is the required vote for the ratification of the amendment of the articles of incorporation of a close corporation?
    a. Always affirmative vote of at least 2/3 of the outstanding capital stock whether with or without voting rights.
    b. Always affirmative vote of at least 2/3 of the outstanding capital stock whether with voting rights.
    c. Always affirmative vote of at least majority of the outstanding capital stock whether with or without voting rights.
    d. Affirmative vote of at least 2/3 of the outstanding capital stock whether with or without voting rights or of such greater proportion of shares as may be specifically provided in the articles of incorporation.

436. It happens when the directors or stockholders of a close corporation are so divided respecting the management of the business and affairs of the corporation that the votes required for any corporate action cannot be obtained and as a result, business and affairs can no longer be conducted to the advantage of the stockholder.
    a. Deadlock
    b. Equal
    c. Tie
    d. Same

437. Who has the authority to break the deadlock in a close corporation?
    a. President upon petition by any stockholder
    b. Chairman of the board upon petition by any stockholder
    c. Founder upon petition by any stockholder
    d. SEC upon petition by any stockholder

438. The following are the orders or actions that may be done by the SEC in case of deadlock in a close corporation, **except**
    a. Canceling or altering any provision contained in the articles of incorporation, by-laws, or any stockholder's
    b. Canceling, altering or enjoining any resolution or act of the corporation or its board of directors, stockholders, or officers
    c. Directing or prohibiting any act of the corporation or its board of directors, stockholders, officers, or other persons party to the action
    d. Requiring the purchase at their fair value of shares of any stockholder, either by the corporation regardless of the availability of unrestricted retained earnings in its books, or by the other stockholders
    e. Appointing a provisional director
    f. Dissolving the corporation
    g. Granting such other relief as the circumstances may warrant
    h. Render judgment convicting the corporate officer for criminal violation of Corporation Code

439. He is an impartial person appointed by SEC in case of deadlock in a close corporation who is neither a stockholder nor a creditor of a close corporation or any subsidiary of affiliate of such corporation. He is not a receiver or custodian of a corporation but shall have all the rights and powers of duly elected director of a close corporation.
    a. Independent director
    b. Provisional director
    c. External director
    d. Executive director

440. When may a stockholder of a close corporation exercise his right of appraisal to compel the close corporation only to acquire his shares held at fair value which should not be less than their par or issued value?
    a. Only for those reasons enumerated under Corporation wherein appraisal right is available.
    b. For any reason regardless of the capital structure of the close corporation.
    c. For any reason despite the absence of unrestricted retained earnings provided that the corporation's total assets exceed total liabilities.
    d. For any reason provided there are unrestricted retained earnings.

441. When may the SEC compel either the close corporation or stockholders of close corporation to buy back the shares of a dissenting stockholder?
    a. When there is deadlock in a close corporation regardless of existence of unrestricted retained earnings and irrespective of the solvency of the close corporation.
    b. When there is deadlock in a close corporation but there must be unrestricted retained earnings.
    c. When there is deadlock in a close corporation regardless of existence of unrestricted retained earnings provided that the corporation's total assets exceed total liabilities.
    d. When there is deadlock in a close corporation but there must be profit during the year.

442. When may a stockholder file a written petition to the SEC to compel the dissolution of a close corporation?
    a. Only if that stockholder's written petition is ratified by at least majority of the outstanding capital stock.
    b. Only if that stockholder's written petition is ratified by at least 2/3 of the outstanding capital stock.
    c. Whenever any of the acts of the directors, officers or those in control of the close corporation is illegal, fraudulent, dishonest, or oppressive or unfairly prejudicial to the corporation or any stockholder or whenever the corporate assets are being misapplied or wasted.
    d. Only if that stockholder's written petition is ratified by at least 1/4 of the outstanding capital stock.

443. It is a stock or nonstock corporation organized to provide facilities for teaching or instruction and which requires favorable recommendation by DEPED or CHED before its articles of incorporation may be approved by SEC.
    a. Educational corporation
    b. Charitable corporation
    c. Religious corporation
    d. Civil corporation

444. What is the composition of board of trustees of non-stock educational corporations?
    a. It shall not be less than 5 but not more than 15 regardless of the number.
    b. It shall not be less than 5 but may exceed 15.
    c. It shall be 5 or 10 or 15.
    d. It shall not be less than 5 but not more than 10.

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445. Unless otherwise provided in the articles of incorporation or by-laws, what is the normal term of office of Board of Trustees of a nonstock educational institution?
    a. 5 years
    b. 3 years
    c. 1 year
    d. 2 years

446. It is a special form of corporation usually associated with the clergy, consisting of one person only and his successors who is incorporated by law to give some legal capacities and advantages. It may be formed by the chief archbishop, bishop, priest, minister, rabbi or other presiding elder of such religious denomination, sect or church by filing the articles of incorporation to SEC in accordance with the form prescribed by BP 68.
    a. Corporation sole
    b. Religious societies/corporate aggregate
    c. Ordinary nonstock religious corporation
    d. Charitable corporation

447. A non-stock corporation governed by a board but with religious purposes.
    a. Corporation sole
    b. Religious societies/corporate aggregate
    c. Ordinary nonstock religious corporation
    d. Charitable corporation

448. What is an example of corporation by prescription, one with corporate personality despite non-filing of articles of incorporation to SEC, which is an institution which antedates by almost a thousand years any other personality in Europe and which existed when Grecian eloquence still flourished in Antioch ad when idols were still in the temple of Mecca?
    a. And Dating Daan Inc.
    b. Iglesia ni Kristo Inc.
    c. Archdiocese of Manila
    d. Roman Catholic Church

449. Under SEC ruling, what is maximum term of religious corporation?
    a. None as such it may exist in perpetuity
    b. 50 years subject to unlimited renewal
    c. 100 years subject to unlimited renewal
    d. 25 years subject to unlimited renewal

450. What is the required vote for the incorporation of religious society as a corporate aggregate?
    a. At least 2/3 of its membership.
    b. At least majority of its membership.
    c. At least 1/3 of its membership.
    d. At least ¼ of its membership.

451. How may a corporation sole be converted into a corporate aggregate?
    a. By mere amendment of articles of incorporation
    b. By dissolving the corporation sole and forming a new corporate aggregate
    c. Either A or B
    d. By amendment of by-laws

452. What is the required vote for the amendment of the articles of incorporation of corporation aggregate?
    a. At least majority vote of Board of Trustees and ratified by at least 2/3 of the members of the said religious societies.
    b. At least majority vote of Board of Trustees and ratified by at least majority of the members of the said religious societies.
    c. At least 2/3 of the members of the said religious societies.
    d. At least majority vote of the Board of Trustees

453. What is the required vote for the amendment of the articles of incorporation of corporation sole?
    a. The vote of the sole trustee who is the archbishop, bishop or rabbi only.
    b. The vote of the sole trustee and ratified by at least 2/3 of the members of the said religion.
    c. At least 2/3 vote of Board of Trustees and ratified by at least majority of the members of the said religious societies.
    d. At least 2/3 vote of Board of Trustees and ratified by at least majority of the members of the said religious societies.

454. In accordance with the ruling of Supreme Court, what is the nationality of a corporation sole such as Roman Catholic Church?
    a. None
    b. Filipino
    c. Roman
    d. American

455. When may the successors in office of any archbishop, bishop, priest or minister become the corporation sole and be allowed to transact business as such?
    a. Upon their accession to office
    b. Upon submission to SEC of a copy of their commission, certificate of election or letters of appointment duly certified by any notary public.
    c. Both A and B must be present.
    d. Neither A nor B.

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456. The by-laws of the religious corporation provides that a member may be expelled from the society even without prior notice and hearing. Is this **valid**?
    a. Yes because the basis of membership in a religious organization is absolute adherence to a common religious or spiritual belief and as a general rule there is no room for dissention in a religious organization.
    b. No because it is unusual and objectionable.
    c. No because it is oppressive and unreasonable.
    d. No under all instances.

457. May minority members of a religious organization who have chosen to separate themselves into a distinct body and refuse to recognize the authority of the governing board claim rights to some property of the religious organization?
    a. Yes because they have been previously been members thereof.
    b. Yes if they have been removed without notice and hearing.
    c. No because they are not co-owners of said property.
    d. Yes because it will be deprivation of right to property if ruled otherwise.

458. It refers to the extinguishment of the corporate franchise and the termination of corporate existence. It legally affects more the nature and capacity of the juridical being of the corporate being.
    a. Corporate Operation
    b. Corporate Dissolution
    c. Corporate Liquidation
    d. Corporate Incorporation

459. Which of the following statements concerning the two types of dissolution is **correct**?
    a. De jure dissolution is one adjudged and determined by administrative or judicial sentence, or brought about by an act of the sovereign power or which results from the expiration of corporate term.
    b. De facto dissolution is one which takes place in substance and in fact when the corporation by reason of insolvency, cessation of business, or suspension of all its operations, as the case may be, goes into liquidation, still retaining its primary franchise to be a corporation.
    c. Both A and B.
    d. Neither A nor B.

460. How may a private corporation created under Corporation Code?
    a. Voluntary mode only
    b. Involuntary mode only
    c. Either voluntary mode or involuntary mode
    d. Neither voluntary mode nor involuntary mode

461. It refers to a mode of dissolving a private corporation wherein the initiative comes from the board of directors/trustees and stockholders/members by virtue of which the board of directors/trustees and its stockholders/members filed either the board resolution or petition for dissolution to Securities and Exchange Commission
    a. Voluntary mode
    b. Involuntary mode
    c. Dissolution by operation of law
    d. Legal dissolution

462. What are the three voluntary modes of dissolution of private corporation formed and organized under BP 68?
    a. Where no creditors are affected by the dissolution, by an administrative application of dissolution filed with the SEC.
    b. Where creditors are affected by dissolution, by a formal petition for dissolution filed with the SEC, with due notice and hearing to be duly conducted.
    c. Shortening of corporate term by the amendment of the articles of incorporation.
    d. All of the above.

463. Under Revised Corporation Code, what is the required vote for the voluntary dissolution of a private corporation where creditors are not affected?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 of members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock at least majority of members.
    d. Approval by at least majority of the board of directors/trustees.

464. Under Revised Corporation Code, what is the required vote for the voluntary dissolution of a private corporation where creditors are affected?
    a. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 of members.
    b. Approval by stockholders representing at least 2/3 of the outstanding capital stock or at least 2/3 members.
    c. Approval by at least majority vote of the board of directors/trustees and ratification by stockholders representing at least majority of the outstanding capital stock at least majority of members.
    d. Approval by at least majority of the board of directors/trustees.

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465. Under Revised Corporation Code, what is the minimum number of days of giving notice to stockholders or members prior to vote for voluntary dissolution?
    a. At least twenty (20) days prior to the meeting for the voting of voluntary dissolution where no creditors are affected.
    b. At least thirty (30) days prior to the meeting for the voting of voluntary dissolution where no creditors are affected.
    c. At least ten (10) days prior to the meeting for the voting of voluntary dissolution where no creditors are affected.
    d. At least fourty (40) days prior to the meeting for the voting of voluntary dissolution where no creditors are affected.

466. When a corporation is voluntary dissolved by amending its articles of incorporation to shorten its corporate term, when will the corporation be deemed dissolved?
    a. Upon approval of the amended articles of incorporation or the expiration of the shortened term, as the case may be, the corporation shall be deemed dissolved without any further proceedings, subject to the provisions of this Code on liquidation.
    b. There must be court order.
    c. There must be decision by the SEC.
    d. There must be approval by the corporate creditors.

467. It refers to a mode of dissolving a private corporation made by the Securities and Exchange Commission upon filing of a verified complaint and after proper notice and hearing on the grounds provided by existing laws, rules and regulations.
    a. Voluntary mode
    b. Involuntary mode
    c. Dissolution by operation of law
    d. Legal dissolution

468. The following are involuntary methods of dissolution. Which one is voluntary?
    a. Expiration of the corporate term
    b. Legislative dissolution meaning by a law filed by congress in case of public corporation
    c. Failure to formally organize and commence business within 2 years from the date of issuance of the certificate of incorporation by SEC
    d. Quo warranto suit against a defacto corporation
    e. Minority stockholders' suit for dissolution on justifiable grounds
    f. SEC dissolution upon filing of verified complaint by an affected stockholder and after due notice and hearing
    g. Shortening of the corporate term by amending the articles of incorporation

469. What are the grounds for involuntary dissolution of a corporation?
    a. If the corporation does not formally organize and commence the transaction of its business or construction of its works within (5) years as the case may be from the date of its incorporation.
    b. Failure to renew corporate term within the deadline stated by Corporation Code but the corporation may file a petition for revival of corporate existence.
    c. If it has duly organized and/or commenced the transaction of its business, but subsequently becomes continuously inoperative for a period of at least (5) five years.
    d. When it fails to adopt and file a code of by-laws in the manner provided for by Corporation Code.
    e. When it has offended against a provision of a law for its creation or renewal.
    f. When it has committed or omitted an act which amounts to a surrender of its corporate rights, privileges or franchises.
    g. When it has misused a right, privilege or franchise conferred to in by law by performing ultra vires or illegal acts.
    h. When based on the findings of SEC, the continuance of the corporation would not be feasible nor work best interest to the stockholders and creditors.
    i. When the corporation is guilty of fraud in procuring its certificate of registration.
    j. When it is guilty of serious misrepresentation as to what the corporation can do or is doing to the great prejudice of or damage to the general public.
    k. Refusal of the corporation to comply with the order of SEC.
    l. Failure of the corporation to submit the required reports to SEC in accordance with proper format.
    m. All of the above.

470. Using the preceding number, which of the above mentioned grounds of involuntary dissolution refer automatic causes of corporate dissolution meaning dissolution ip so facto by operation of law without need of SEC or court order?
    a. A and B only
    b. A, B and C only
    c. A, B, C and L only
    d. A, B, C, D and L only

471. What are the other automatic grounds of corporate dissolution or those which will ipso facto dissolve the corporation by operation of law?
    a. Approval by SEC of certificate of merger or consolidation in so far as the absorbed corporations are concerned
    b. Approval of shortening of corporate term by SEC in appropriate cases.
    c. Both A and B
    d. Neither A nor B

472. It refers to the process by which all the assets of the corporation are converted into liquid assets in order to facilitate the payment of obligations to creditors, and the remaining balance, if any, is to be distributed to the stockholders or members.
    a. Corporate Incorporation
    b. Corporate Dissolution
    c. Corporate Liquidation
    d. Corporate Operation

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473. What are the three recognized methods of liquidation of corporation?
    a. Liquidation through Board of directors
    b. Liquidation through a trustee
    c. Liquidation through a receiver
    d. Any of the above

474. Corporation Code provides that no corporation shall distribute any of its assets or property to its shareholders except upon lawful dissolution and after payment of all its debts and liabilities. When may the corporation distribute corporate assets to stockholders before dissolution?
    a. In case of decrease of capital but there must be unrestricted retained earnings.
    b. In case of redemption of redeemable preference shares but the corporation must still be solvent.
    c. In all exceptional cases allowed by Corporation Code.
    d. All of the above.

475. After the dissolution of a corporation, what is the remaining period of the corporate body?
    a. 2 years from the time it is dissolved for the purpose of liquidation of its corporate affairs but not for entering into new business.
    b. 3 years from the time it is dissolved for the purpose of liquidation of its corporate affairs but not for entering into new business.
    c. 1 years from the time it is dissolved for the purpose of liquidation of its corporate affairs but not for entering into new business.
    d. 4 years from the time it is dissolved for the purpose of liquidation of its corporate affairs but not for entering into new business.

476. May a dissolved corporate enforce its rights against another person despite its dissolution and even after the expiration of the three-year liquidation period?
    a. Yes because Section 145 of BP 68 provides that no right or remedy in favor of or against any corporation shall be removed or impaired either by the subsequent dissolution of said corporation.
    b. No because it must be filed within the 3-year prescriptive period.
    c. No because the corporation has no legal standing in a court of law.
    d. Yes but only if the case is filed within the three-year liquidation period.

477. What are the effects of dissolution and liquidation of a corporation?
    a. The dissolution or termination of the life of juridical entity does not by itself cause the extinction or diminution of the rights and liability of such entity nor those of its owners and creditors.
    b. The corporation continues to be a body corporate for (3) three years after its dissolution for purposes of prosecuting and defending suits by and against it and for enabling it to settle and close its affairs, culminating in the dissolution and distribution of its remaining assets.
    c. It may, during the three-year term, appoint a trustee or a receiver who may act beyond that period.
    d. If the three-year life has expired without a trustee or receiver having been expressly designated by the corporation within that period, the board of directors or trustee themselves may be permitted to continue as trustee by legal implication to complete the corporate liquidation.
    e. In the absence of BoD/BoT, trustee or receiver, creditors may ask the SEC to appoint them as trustee for the liquidation of the corporation.
    f. All of the above.

478. Intra-corporate disputes and petitions for rehabilitation or liquidation of an insolvent corporation shall be initially filed before the
    a. Metropolitan Trial Court
    b. Securities and Exchange Commission
    c. Regional Trial Court designated by Supreme Court as Special Commercial Court
    d. Municipal Trial Court

479. Upon winding up of the corporate affairs, any asset distributable to any creditor or stockholder or member who is unknown and cannot be found shall be escheated and forfeited in favor of the
    a. Province where such property is located
    b. City where such property is located
    c. National government
    d. City of municipality where such property is located

480. It is a corporation formed, organized or existing under any law other than those of the Philippines and whose law allows Filipino citizens and corporation to do business in its own country or state.
    a. Domestic corporation
    b. Resident corporation
    c. Foreign corporation
    d. Illegal corporation

481. In determining the nationality of a corporation in the Philippines, whether domestic or foreign, what is the test applied by the Corporation Code?
    a. Incorporation test
    b. Residency test
    c. Control test
    d. Grandfather rule test

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482. How can a foreign corporation be allowed to transact or do business in the Philippines?
    a. By securing a license for that purpose from the SEC and a certificate of authority from appropriate government agency.
    b. By submitting by-laws to the SEC.
    c. By registering with Department of Trade and Industry.
    d. By asking for permission from the Bureau of Internal Revenue.

483. What is the purpose of requiring license on part of foreign corporation doing business in the Philippines?
    a. To subject foreign corporation doing business in the Philippines to the jurisdiction of Philippine courts.
    b. To subject foreign corporation doing business in the Philippines to harsher rules that are required of domestic corporation.
    c. To commit inequity or injustice against this foreign corporation.
    d. To discriminate against this foreign corporation.

484. Which of the following can be considered a resident agent of a foreign corporation doing business in the Philippines?
    a. An individual who must be of good moral character and of sound financial standing, residing in the Philippines
    b. A domestic corporation lawfully transacting business in the Philippines designated in a written power of attorney to do business in the Philippines
    c. Both A and B
    d. Neither A nor B

485. The following are the grounds for revocation of license of a foreign corporation doing business in the Philippines, **except**
    a. Failure to file annual reports required by the Corporation Code
    b. Failure to appoint and maintain a resident agent
    c. Failure to inform the SEC of the change of residence of the resident agent
    d. Failure to establish a branch in the Philippines
    e. Failure to submit a copy of amended articles of incorporation or by-laws or articles of merger or consolidation
    f. Failure to pay taxes, imposts and assessments
    g. Engaging in business unauthorized by SEC
    h. Acting as a dummy of a foreign corporation

486. Under Corporation Code, which of the following effects of lack of license on the part of foreign corporation doing business in the Philippines are **correct**?
    a. The said foreign corporation shall not be permitted to maintain or intervene in any action, suit, or proceeding in any court or administrative agency of the Philippines except in case of estoppel.
    b. The said foreign corporation may be sued or proceeded against before Philippine courts or administrative tribunals on any valid cause of action recognized under Philippines laws.
    c. Both A and B
    d. Neither A nor B

487. What is the status of contract entered into by a foreign corporation doing business in the Philippines without the necessary license?
    a. Null and void
    b. Unenforceable
    c. Rescissible
    d. Voidable but remaining to be valid and enforceable until annulled

488. May a foreign corporation file a case on a contract it entered into despite doing business in the Philippines without the necessary license?
    a. No because it has no license as required by Corporation Code
    b. No as a general rule except in case of estoppel but it must first acquire the necessary license before the appropriate government agency for the action to prosper.
    c. No because it will encourage violation of BP 68
    d. Yes in all instances

489. Which of the following effects of lack of license on the part of foreign corporation not doing business in the Philippines are **correct**?
    a. It may sue in any court or administrative agency of the Philippines for violation of its intellectual property rights.
    b. It may sue and be sued for isolated transactions, as well as for those which are casual or incidental thereto.
    c. Both A and B
    d. Neither A nor B

490. What is the period for the submission of the General Information Sheet of the Corporation to the SEC?
    a. Within 30 calendar days from date of the actual annual stockholders' or members meeting
    b. Within 60 calendar days from date of the actual annual stockholders' or members meeting
    c. Within 90 calendar days from date of the actual annual stockholders' or members meeting
    d. Within 120 calendar days from date of the actual annual stockholders' or members meeting

491. What is the period for the submission of the Audited Financial Statements stamped "Received by the BIR" of the Corporation to the SEC for corporation whose fiscal year ends other than December 31?
    a. Within 30 calendar days after the end of the fiscal year, as indicated in the Financial Statements
    b. Within 60 calendar days after the end of the fiscal year, as indicated in the Financial Statements
    c. Within 90 calendar days after the end of the fiscal year, as indicated in the Financial Statements
    d. Within 120 calendar days after the end of the fiscal year, as indicated in the Financial Statements

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492. Which of the following matters must be provided in the Articles in Corporation instead of By-Laws?
   a. Denial of pre-emptive right
   b. Creation of executive committee
   c. Provision on compensation of directors
   d. Provision on additional corporate officers

493. Which of the following matters is generally provided in the By-Laws instead of the Articles of Incorporation?
   a. Provision on founder's shares
   b. Capitalization of stock corporation
   c. Manner of issuing shares of stocks and its corresponding certificate
   d. Corporate name

494. The following matters are usually found in the Articles of Incorporation, **except**
   a. Corporate term
   b. Purpose clause of corporation
   c. Place of principal office of corporation
   d. Required quorum in meeting of stockholders

495. Which of the following matters shall be indicated in the articles of incorporation instead of by-laws?
   a. Place of principal office within the Philippines
   b. Quorum for validity of meeting of directors
   c. Qualifications of directors
   d. Penalties for violation of by-laws

496. The following matters are usually found in the By-Laws of the Corporation, **except**
   a. Time and manner of calling of meeting of directors and stockholders
   b. Names of incorporators
   c. Forms for proxy voting
   d. Qualifications and duties of directors and officers

497. In which of the following corporate acts may preferred stocks classified as non-voting be allowed to vote?
   a. Approval of management contract
   b. Granting of compensation of directors
   c. Removal of a director
   d. Amendment of corporate by-laws

498. In which of the following corporate acts are preferred stocks classified as non-voting disqualified to vote?
   a. Incurring or increasing bond indebtedness
   b. Distribution of stock dividends
   c. Merger or consolidation
   d. Sale, disposal, pledge, or mortgage of all or substantially all the assets of the corporation

499. Which type of company may be allowed to issue no-par value common shares?
   a. Banks
   b. Insurance
   c. Mining
   d. Public utility

500. Which type of company is prohibited from issuing no-par value common shares?
   a. Educational institution
   b. Trust company
   c. Oil company
   d. Call center company

501. Which type of corporation is allowed to be incorporated as a close corporation?
   a. Review school
   b. Stock exchange
   c. Insurance
   d. Public utility

502. Which type of corporation is prohibited to be incorporated as a close corporation?
   a. Educational institution
   b. Real estate corporation
   c. Retailer company
   d. Mall operators

503. In which of the following corporate acts is appraisal right available to a dissenting stockholder?
   a. Merger or consolidation
   b. Increase or decrease of authorized capital stock
   c. Approval of management contract
   d. Distribution of stock dividends

504. In which of the following corporate acts is appraisal right **not** available to a dissenting stockholder?
   a. Incurring or increasing bond indebtedness
   b. Shortening or extending corporate term
   c. Sale, disposal, pledge or mortgage of all or substantially all the assets
   d. Investment of corporate funds to other business different from the primary and secondary purpose

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505. Which of the following corporate acts may be validly performed by executive committee?
   a. Selection of the major supplier of the corporation
   b. Distribution of stock dividends
   c. Amendment of corporate by-laws
   d. Rehabilitation of the corporation

506. Which of the following corporate acts may **not** be validly performed by executive committee?
   a. Declaration of cash dividends
   b. Selection of external auditor
   c. Approval of collective bargaining agreement with the labor union
   d. Granting of credit term to major customers

507. In which corporate act may a non-voting preferred stockholder be allowed to vote?
   a. Election of members of board of directors
   b. Removal of member of board of directors
   c. Merger or consolidation of two or more corporations
   d. Ratification of disloyalty of a director

508. In which corporate act is a non-voting preferred stockholder **not** allowed to vote?
   a. Approval of management contract
   b. Approval of increase in authorized capital stock
   c. Approval of creation or increase of bond indebtedness
   d. Approval of amendment of by laws

509. Which corporate officer is required to be a stockholder and a director at the same time?
   a. President
   b. Secretary
   c. Treasurer
   d. All of the above

510. Which corporate act may be validly done by the board of directors alone?
   a. Increase of authorized capital stock
   b. Adoption of original by-laws
   c. Acquisition of treasury shares
   d. Amendment of articles of incorporation

511. Which corporate action does **not** require ratification by the stockholders?
   a. Approval of management contract
   b. Merger or Consolidation
   c. Incurring bond indebtedness
   d. Declaration of cash dividends or property dividends

512. Which of the following corporations is created for charity?
   a. Lay corporation
   b. Civil corporation
   c. Ecclesiastical corporation
   d. Eleemosynary corporation

513. What government agency is entrusted with supervision and regulation of ordinary private corporation?
   a. Bangko Sentral ng Pilipinas
   b. Insurance Commission
   c. Securities and Exchange Commission
   d. Bureau of Internal Revenue

514. Which corporation is allowed to declared dividends to its corporators?
   a. Stock corporation
   b. Ecclesiastical corporation
   c. Eleemosynary corporation
   d. Nonstock corporation

515. What type of shares of stocks may become the subject matter of unpaid subscription contract?
   a. Par value shares of stocks
   b. No par value shares of stock
   c. Both A and B
   d. Neither A nor B

516. What is the term used when for retained earnings with debit balance?
   a. Deficit
   b. Deficiency
   c. Delinquency
   d. Default

517. It refers to a corporation with a single stockholder.
   a. One person corporation (OPC)
   b. Corporation Aggregate
   c. Partnership
   d. Joint Venture

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518. The following can be the single stockholder of a one person corporation (OPC), **except**
    a. Natural person who must be of legal age
    b. Trust who does not refer to a trust entity (company or corporation) but the subject being managed by a trustee
    c. Estate
    d. Partnership or corporation or cooperative or association

519. If the single stockholder of a one person corporation (OPC) is a trustee, administrator, executor, guardian, conservator, custodian, or other person exercising fiduciary duties, what must be submitted by these persons to SEC?
    a. Proof of authority to act on behalf of the trust or estate
    b. Tax Identification Number of trust or estate
    c. PSA Birth Certificate
    d. PRC Identification Number

520. As a general rule, what is the term of existence of one person corporation (OPC)?
    a. 50 years renewable for another term
    b. Perpetual existence
    c. 50 years subject to unlimited times of renewal
    d. 20 years renewable for another term

521. As an exception to the general rule of perpetual existence, what is the term of one person corporation (OPC) under the name of trust or estate, what is its term of existence?
    a. 50 years renewable for another term
    b. Perpetual existence
    c. 50 years subject to unlimited times of renewal
    d. It shall be co-terminus with the existence of the trust or estate.

522. How may a one person corporation (OPC) under the name of estate or trust be dissolved?
    a. By submission of Partition, such as Order of Partition issued by the Court in case of Judicial Settlement and Deed of Extrajudicial Settlement in case of summary settlement of the estate.
    b. By submission of proof of termination of the trust.
    c. Either A or B
    d. Neither A nor B

523. Where shall the suffix "OPC" be indicated by the one person corporation in its corporate name?
    a. Below its corporate name
    b. At the end of its corporate name
    c. Either A or B
    d. Neither A nor B

524. Who shall be the director of the one person corporation (OPC)?
    a. The single stockholder of the one person corporation
    b. The SEC Chairperson
    c. The BIR Commissioner
    d. The BoA Chairman

525. Who shall be the president of the one person corporation (OPC)?
    a. The single stockholder of the one person corporation
    b. The SEC Chairperson
    c. The BIR Commissioner
    d. The BoA Chairman

526. Who must be designated by the single stockholder of the one person corporation (OPC) in its Articles of Incorporation?
    a. Nominee
    b. Alternate Nominee
    c. Both A and B
    d. Neither A nor B

527. What document must be attached in the application for incorporation by single stockholder of the one person corporation (OPC)?
    a. The written consent of both the nominee and alternate nominee to the designation.
    b. The PRC ID of both the nominee and alternate nominee.
    c. The PSA CENOMAR of both the nominee and alternate nominee.
    d. None of the above.

528. Who will replace the single stockholder of the one person corporation (OPC) in case of his death and/or incapacity?
    a. Nominee designated in the Articles of Incorporation
    b. Alternate Nominee designated in the Articles of Incorporation
    c. Either A or B
    d. Neither A nor B

529. The following must be set forth in the Articles of Incorporation to be filed by the single stockholder of the one person corporation (OPC) to SEC for application for incorporation, **except**
    a. Primary purpose
    b. Principal office address
    c. Term of existence
    d. Name and details of the single stockholder
    e. Name of nominee and alternate nominee
    f. Authorized, subscribed and paid up capital
    g. Such other matters consistent with law and which may be deemed necessary and convenient
    h. By-laws

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530. Which corporation is not required to submit and file its by-laws to SEC?
    a. Corporation aggregate
    b. One Person Corporation (OPC)
    c. Both A and B
    d. Neither A nor B

531. Unless provided by special law, what is the minimum authorized capital stock of one person corporation (OPC)?
    a. P5,000
    b. P25,000
    c. P5
    d. No minimum authorized capital stock

532. Unless provided by special law, what is the minimum subscribed capital of the authorized capital of one person corporation (OPC)?
    a. At least 25% of authorized capital stock
    b. At least 10% of authorized capital stock
    c. At least 20% of authorized capital stock
    d. No minimum subscribed capital stock

533. Unless provided by special law, what is the minimum paid-up capital of the authorized capital of one person corporation (OPC)?
    a. At least 25% of actually subscribed capital stock
    b. At least 25% of minimum subscribed capital stock
    c. At least 25% of actually subscribed capital stock or P5,000, whichever is higher
    d. No minimum paid up capital of the authorized capital stock

534. How many days from the issuance of its Certification of Incorporation by SEC shall the OPC appoint a treasurer, corporate secretary and other officers?
    a. Within 15 days
    b. Within 10 days
    c. Within 5 days
    d. Within 3 days

535. How many days from the appointment of treasurer, corporate secretary and other officers shall the OPC notice the SEC of such appointment?
    a. Within 15 days
    b. Within 10 days
    c. Within 5 days
    d. Within 3 days

536. Which corporate position may **not** be assumed by the single stockholder of the one person corporation (OPC)?
    a. Corporate Secretary
    b. Corporate Treasurer
    c. Both A and B
    d. Neither A nor B

537. In which corporation is the Corporate President **not** allowed to assume the role of a Corporate Treasurer?
    a. One person corporation (OPC)
    b. Corporation aggregate
    c. Both A and B
    d. Neither A nor B

538. What is the requirement of Revised Corporation Code if the single stockholder of the one person corporation (OPC) assumes the position of Corporate Treasurer?
    a. The single stockholder of the one person corporation (OPC) shall post a surety bond to be computed based on the authorized capital stock (ACS) of the one person corporation (OPC).
    b. The single stockholder of the one person corporation (OPC) shall post an intangible property bond to be computed based on the authorized capital stock (ACS) of the one person corporation (OPC).
    c. The single stockholder of the one person corporation (OPC) shall post a goodwill bond to be computed based on the authorized capital stock (ACS) of the one person corporation (OPC).
    d. The single stockholder of the one person corporation (OPC) shall post a mighty bond to be computed based on the authorized capital stock (ACS) of the one person corporation (OPC).

539. When may a single stockholder of the one person corporation (OPC) change its nominee and alternative nominee?
    a. After 3 years from Incorporation
    b. After 5 years from Incorporation
    c. After 10 years from Incorporation
    d. At any time

540. How may a single stockholder of the one person corporation (OPC) change its nominee and alternative nominee?
    a. Through submission to SEC of the names of the new nominees and their corresponding written consent.
    b. Through amendment of articles of incorporation.
    c. Both A and B must concur.
    d. Neither A nor B.

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541. In case the single stockholder of the one person corporation (OPC) becomes incapacitated, who can take over the management of the OPC as its director and president?
    a. Nominee
    b. SEC Chairperson
    c. BoA Chairman
    d. BIR Commissioner

542. In case the incapacity of the single stockholder of the one person corporation (OPC) ends, what is the effect?
    a. The single stockholder of the one person corporation (OPC) can resume the management of the one person corporation (OPC).
    b. The one person corporation (OPC) is automatically dissolved by operation of law.
    c. The one person corporation (OPC) becomes a de facto corporation.
    d. That is a ground for dissolution through court proceedings.

543. In case of death or permanent incapacity of the single stockholder of the one person corporation (OPC), who can take over the management of the OPC as its director and president?
    a. Nominee
    b. SEC Chairperson
    c. BoA Chairman
    d. BIR Commissioner

544. In case of death or permanent incapacity of the single stockholder of the one person corporation (OPC), up to what period or time may the nominee take over the management of the OPC?
    a. Until the legal heirs of the single stockholder have been lawfully determined and the heirs have agreed among themselves who will take the place of the deceased.
    b. For a period of 10 years
    c. In perpetuity
    d. For a period of 20 years

545. The following are the reports that must be submitted by OPC to SEC within the period required by SEC, **except**
    a. Annual audited financial statements or if total assets and total liabilities are less than P600,000, the financial statements shall be certified under oath by the corporation's treasurer
    b. A report on all explanations or comments by the president on the qualification, reservation or adverse remarks made by the auditor in the financial statements
    c. A disclosure of all self-dealings and related transactions entered into between the OPC and the single stockholder
    d. Corporate by-laws

546. What is the period for submission of annual audited financial statements to SEC by OPC?
    a. Within 90 days from the end of fiscal year as indicated in its Articles of Incorporation
    b. Within 60 days from the end of fiscal year as indicated in its Articles of Incorporation
    c. Within 120 days from the end of fiscal year as indicated in its Articles of Incorporation
    d. Within 30 days from the end of fiscal year as indicated in its Articles of Incorporation

547. The following entities are **not** allowed to form OPCs, (LGBTQ-PPP-IN) **except**
    a. Banks
    b. Non-bank financial institutions
    c. Quasi-banks
    d. Pre-need
    e. Trust entity/company
    f. Insurance
    g. Public entities
    h. Publicly listed entities
    i. Non-charted government-owned and controlled corporations (GOCCs)
    j. A natural person who is licensed to exercise a profession (CPA or Lawyers) for the purpose of exercising such profession except as otherwise provided under special laws
    k. Foreign natural person, but subject to the applicable capital requirement and constitutional and statutory restrictions on foreign participation in certain investment areas or activities

548. Under Revised Corporation Code, when may an ordinary corporation be allowed to convert to a one person corporation?
    a. When a single stockholder acquires all the stocks of an ordinary stock corporation
    b. When a single stockholder becomes the majority stockholders of an ordinary stock corporation
    c. When a single stockholder becomes the controlling stockholders of an ordinary stock corporation
    d. Any of the above

549. Under Revised Corporation Code, how may an ordinary corporation convert into a one person corporation?
    a. By dissolving the ordinary corporation and forming a new one person corporation
    b. By filing an application before SEC subject to the submissions of such documents as the SEC may require
    c. By liquidating the ordinary corporation
    d. By creating a general partnership

550. Under Revised Corporation Code, when may a one person corporation convert into an ordinary corporation?
    a. After giving notice to SEC of facts and circumstances leading to conversion
    b. When the stockholders of ordinary corporation die
    c. When majority of the stockholders of ordinary corporation sell their shares to third persons
    d. It is not allowed.

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551. Under Revised Corporation Code, how may a one person corporation convert to an ordinary corporation?
   a. By dissolving the one person corporation and forming a new ordinary corporation
   b. By filing an application and giving notice SEC subject to the submissions of such documents as the SEC may require
   c. By liquidating the ordinary corporation
   d. By creating a general partnership

552. Under Revised Corporation Code, which is false about a one person corporation?
   a. A sole shareholder claiming limited liability has the burden of affirmatively showing that the corporation was adequately financed.
   b. Where the single stockholder cannot prove that the property of the One Person Corporation is independent of the stockholder's personal property, the stockholder shall be jointly and severally liable for the debts and other liabilities of the One Person Corporation.
   c. The principles of piercing the corporate veil apply with equal force to One Person Corporations as with other corporations.
   d. The single stockholder is always liable only up to the extent of his capital contribution under the concept of limited liability rule.

553. It is an artificial being created by operation of law, having the right of succession and the powers, attributes and properties expressly authorized by law or incident to its existence.
   a) Cooperative
   b) Partnership
   c) Corporation
   d) Joint Venture

554. Which of the following is not an attribute of a private corporation?
   a) It is an artificial being.
   b) It is created by operation of law.
   c) It has right of succession.
   d) It has all the powers, attributes, properties of a natural person unless denied by law.

555. Which of the following statements about the concept of artificial being of a corporation is incorrect?
   a) The corporation cannot be held criminally liable particularly the penalty of imprisonment but it may be held liable for fines for corporate crimes.
   b) As a general rule, a corporation is not entitled to moral damages because, not being a natural person, it cannot experience physical suffering or sentiments like wounded feelings, serious anxiety, mental anguish, sleepless nights and moral shock except when a corporation has a reputation that is debased, resulting in its humiliation in the business realm such in the case of civil action for damages on the ground of libel or defamation.
   c) The corporation is not entitled to constitutional right against self-incrimination.
   d) The corporation is not entitled to constitutional right to due process and right to equal protection of the law.

556. Which of the following statements pertains to the doctrine of "Separate Personality"?
   a) It means that a corporation has a personality separate and distinct from the stockholders and its affiliated companies.
   b) It means that the stockholders are liable only up to the extent of their capital contribution when it comes to corporation's liabilities.
   c) It means that assets of the corporations are considered trust fund reserved for payment of liabilities to creditors of the corporation.
   d) It means refers to a situation in which courts put aside limited liability and hold a corporation's shareholders or directors personally liable for the corporation's actions or debts.

557. In which of the following cases is the court not justified in piercing the veil of corporate fiction?
   a) When corporate fiction is used to commit fraud
   b) When the corporation is a mere instrumentality or alter ego of the stockholders or owners
   c) When the corporate fiction is used to commit tax evasion or to justify a wrong or to defend a crime
   d) When the subsidiary corporation is fully owned or fully controlled by the parent corporation

558. How should a corporation under Philippine legal set-up be created?
   a) In case of public corporation, by enactment of special law by the Congress.
   b) In case of private corporation, by operation of law which is the Revised Corporation Code of the Philippines.
   c) Either a or b
   d) Neither a nor b

559. Which of the following best describes the "Strong Juridical Personality" of the corporation?
   a) Right of succession
   b) Limited liability rule
   c) Doctrine of separate personality
   d) Management prerogative

560. What is the maximum term of a corporation?
   a) It has a maximum term of 50 years unless the articles of incorporation provides for a perpetual existence.
   b) It has a perpetual existence unless its articles of incorporation provides otherwise.
   c) It should have a maximum term of 50 years.
   d) It should have a perpetual existence.

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561. If the term of the corporation with a fixed term expired, which of the following statements is correct?
   a) The said corporation is ipso facto dissolved by operation of law without need of court order and its corporate existence can no longer be revived.
   b) The said corporation must proceed to the mandatory corporate liquidation within three (3) years from the expiration of the corporate term.
   c) The said corporation may apply for revival of its corporate existence, together with all the rights and privileges under its certificate of incorporation and subject to all of its duties, debts and liabilities existing prior to its revival.
   d) The said corporation will be considered an ostensible corporation making the stockholders liable like general partners up to the extent of their separate assets.

562. For a corporation with a fixed term as specified in the articles of incorporation, what is the period for extension of the said corporate term?
   a) No extension may be made earlier than three (3) years prior to the original or subsequent expiry date(s) unless there are justifiable reasons for an earlier extension as may be determined by the SEC.
   b) No extension may be made earlier than five (5) years prior to the original or subsequent expiry date(s) unless there are justifiable reasons for an earlier extension as may be determined by the SEC.
   c) No extension may be made earlier than two (2) years prior to the original or subsequent expiry date(s) unless there are justifiable reasons for an earlier extension as may be determined by the SEC.
   d) No extension may be made earlier than one (1) year prior to the original or subsequent expiry date(s) unless there are justifiable reasons for an earlier extension as may be determined by the SEC.

563. Which of the following is not a power given by the Revised Corporation Code to a private corporation?
   a) Express power
   b) Implied power
   c) Incidental power
   d) Discretionary power

564. Which of the following is not an express power of a private corporation under the Revised Corporation Code?
   a) For stock corporation, to issue and sell stocks to subscribers and treasury stock while for nonstock corporation, to admit members
   b) To enter into a partnership, joint venture, merger, consolidation, or any other commercial agreement with natural and juridical persons
   c) To make reasonable donations for public welfare, hospital, charitable, cultural, scientific, civic or similar purposes
   d) In case of domestic corporation to give donations in aid of any political party or candidate or for purposes of partisan political activity
   e) In case of foreign corporation to give donations in aid of any political party or candidate or for purposes of partisan political activity

565. Which of the following is not an implied power of a private corporation under the Revised Corporation Code?
   a) To issue checks or promissory note or bill of exchange or mercantile documents
   b) To operate online casino in case of computer shop or internet café
   c) To establish a local post office in case of a mining company
   d) To operate power plant in case of a cement factory company
   e) To sell, supply or manage advertising materials in case of an advertising company

566. Which of the following is not considered an incidental power of a private corporation under the Revised Corporation Code?
   a) Right to sue and be sued
   b) Right to have adopt and amend by-laws
   c) Right to enter into a merger or a consolidation
   d) Right to have a corporate name

567. It refers to acts committed or contracts entered outside the object for which a corporation is created as defined by the law of its organization and therefore beyond the express, implied and incidental powers of the corporation.
   a) Illegal acts
   b) Immoral acts
   c) Void acts
   d) Ultra vires acts

568. Which of the following corporations is created by lapse of time and therefore exempted from filing articles of incorporation to SEC in order to be incorporated?
   a) Municipal corporation
   b) Government owned and controlled corporation
   c) Civil corporation
   d) Quasi-public corporation a.k.a. public utility
   e) Corporation by prescription

569. It refers to a corporation created for charitable purposes.
   a) Civil corporation
   b) Ecclesiastical corporation
   c) Lay corporation
   d) Eleemosynary corporation

570. It refers to a corporation both in fact and in law, therefore, its juridical personality is not subject to the direct attack by the state.
   a) De jure corporation
   b) De facto corporation
   c) Corporation by estoppel
   d) Ostensible corporation

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571. Who has the legal standing to question the juridical personality of a de facto corporation?
   a) The stockholders through an intra-corporate dispute
   b) The state through a direct attack via special civil action of quo warranto proceedings
   c) The creditors through a civil action to collect a sum of money
   d) The competitors through a collateral attack in an inter-corporate dispute

572. What is the nature of liability of the members of ostensible corporation or corporation by estoppel for the obligation of the said entity pretending to be a corporation?
   a) Limited up to the extent of their capital contribution only
   b) Direct and solidarily
   c) Prorata and subsidiarily like general partners
   d) None of the above

573. What test is enshrined in the Revised Corporation Code to determine the nationality of a private corporation?
   a) Place of incorporation test
   b) Control test
   c) Grandfather rule test
   d) None of the above

574. Which of the following corporations is still required to obtain license from SEC before it may engage in its primary and secondary businesses in the Philippines?
   a) Domestic corporation
   b) Foreign corporation
   c) Both a and b
   d) Neither a nor b

575. Which of the following statements about the right to sue and capacity to be sued of a foreign corporation is incorrect?
   a) A foreign corporation not doing business in the Philippines without license may sue and be sued in Philippine courts for isolated transactions it entered into within Philippine territory.
   b) A foreign corporation not doing business in the Philippines without license may sue in Philippine courts for violation of its intellectual property rights as provided under World Trade Organization Treaty in which the Philippines is a signatory state.
   c) A foreign corporation doing business in the Philippines with license may be sued in Philippine courts.
   d) A foreign corporation doing business in the Philippines without license will never be allowed to sue in Philippine courts.

576. Which of the following controls another corporation?
   a) Holding or parent corporation
   b) Subsidiary corporation
   c) Affiliated corporation
   d) Associate corporation

577. It refers to a corporation whose capital stock is divided into shares of stocks and is authorized to declare dividends to its stockholders.
   a) Stock corporation
   b) Nonstock corporation
   c) Charitable corporation
   d) Eleemosynary corporation

578. Which of the following statements is incorrect?
   a) A nonstock corporation may be converted to stock corporation by dissolving the nonstock corporation and then forming a new stock corporation.
   b) A nonstock corporation may be converted to stock corporation by mere amendment of articles of the nonstock corporation.
   c) A stock corporation may be converted to nonstock corporation by dissolving the stock corporation and then forming a new nonstock corporation.
   d) A stock corporation may be converted to nonstock corporation by mere amendment of articles of the stock corporation.

579. What is the nature of transmissibility of membership in a nonstock corporation?
   a) Membership in a non-stock corporation and all rights arising therefrom are personal and non-transferable, unless the articles of incorporation or the by-laws otherwise provide.
   b) Membership in a non-stock corporation and all rights arising therefrom are nonpersonal and transferable, unless the articles of incorporation or the by-laws otherwise provide.
   c) Membership in a non-stock corporation and all rights arising therefrom are always personal and non-transferable despite the contrary provision in the articles of incorporation or the by-laws.
   d) Membership in a non-stock corporation and all rights arising therefrom are always nonpersonal and transferable despite the contrary provision in the articles of incorporation or the by-laws.

580. They refer to shares of stocks with complete voting rights and must always be present in every stock corporation.
   a) Common shares
   b) Preferred shares
   c) Redeemable shares
   d) Founders' shares

581. Which of the following stocks must always be issued with par value?
   a) Common shares
   b) Preferred shares
   c) Treasury shares
   d) Founders' shares

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582. It refers to a type of preferred stocks that entitles the shareholders to participate with the common shares in excess of dividend distribution at some predetermined rate or at a fixed ratio as may be determined.
   a) Cumulative preferred shares
   b) Noncumulative preferred shares
   c) Participating preferred shares
   d) Nonparticipating preferred shares

583. If silent, preferred shares are disputably presumed to be
   a) Cumulative preferred shares
   b) Participating preferred shares
   c) Preferred as to net income
   d) Preferred as to net asset

584. Reacquisition of which of the following shares of stocks and its placement in treasury do not require the appropriation of retained earnings?
   a) Common shares
   b) Redeemable preferred shares
   c) Preferred shares
   d) Convertible preferred shares

585. Which of the following shares do not have any voting right and may be issued below its par value as long as the price is reasonable without violating Trust Fund Doctrine?
   a) Treasury shares
   b) Preferred shares
   c) Common shares
   d) Founders' shares

586. Which of the following shares of stocks may not be classified as nonvoting shares a.k.a. shares with limited voting rights?
   a) Common shares
   b) Preferred shares
   c) Founders' shares
   d) Redeemable preferred shares

587. In which corporate act may a nonvoting preferred stock be allowed to participate? (III-AM-SAD)
   a) Removal of director
   b) Distribution of stock dividends
   c) Approval of management contract
   d) Merger or consolidation of two or more corporations

588. In which corporate act is a nonvoting preferred stock disqualified from participating? (GRRADE)
   a) Amendment of by-laws
   b) Election of directors
   c) Increase or decrease of authorized capital stock
   d) Dissolution of the corporation

589. In which corporate act may a common stock participate?
   a) Amendment of articles of incorporation
   b) Granting of compensation to directors
   c) Sale, pledge or mortgage of all or substantially all the assets of the corporation
   d) Ratification of disloyalty of a director
   e) All of the above

590. As a general rule, what is the minimum issue price of a par value share of stocks?
   a) P5
   b) P1
   c) P1,000
   d) Par value

591. As a general rule, what is the minimum issue price of a no-par value share of stocks?
   a) P5
   b) P1
   c) P1,000
   d) None of the above

592. If shares of stock with par value of P10 are issued for P50 per share, what is the legal capital per share?
   a) P10 per share
   b) P40 per share
   c) P50 per share
   d) None of the above

593. If no-par value shares of stocks with stated value of P20 are issued for P100 per share, what is the legal capital per share?
   a) P20 per share
   b) P80 per share
   c) P100 per share
   d) None of the above

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594. Which corporation may issue no-par value common shares of stocks? (BLTBPIPO)
   a) Bank
   b) Public utility
   c) Insurance company
   d) Educational institution

595. What is the maximum term that may be given to founders' shareholders to exercise the exclusive right to be elected in the Board of Directors?
   a) One (1) year
   b) Two (2) years
   c) Three (3) years
   d) Five (5) years

596. They are shares of stocks issued to the organizers of a corporation who for a valuable consideration usually in the form of shares of stocks took part in the formation of the corporation.
   a) Promoters' shares
   b) Treasury shares
   c) Escrow shares
   d) Watered shares
   e) Secret reserves

597. It refers to the performance of conditions, acts, deeds, and writings by incorporators, and the official acts, certification or records, which give the corporation its existence.
   a) Incorporation
   b) Liquidation
   c) Rehabilitation
   d) Dissolution

598. What documents must be submitted by the founders of a prospective ordinary corporation before it may be registered with SEC?
   a) Articles of Incorporation
   b) By-laws
   c) Both a and b
   d) Neither a nor b

599. It refers to the document that defines the charter of relationships between the State and the corporation, the stockholder and the State, and between the corporation and its stockholders.
   a) Articles of incorporation
   b) Articles of cooperation
   c) By-laws
   d) Certificate of registration

600. Which of the following is not a qualification of an incorporator of a proposed private corporation?
   a) Any person, partnership, association or corporation, singly or jointly but not more than fifteen (15) in number may become incorporators. Provided, That natural persons who are licensed to practice a profession, and partnerships or associations organized for the purpose of practicing a profession, shall not be allowed to organize as a corporation unless otherwise provided under special laws
   b) Incorporators who are natural persons must be of legal age
   c) In stock corporations, each must own or be subscriber of at least one share of the capital stock, while in nonstock corporations, members are not owners of shares of stocks, and their membership depends on terms provided in the articles of incorporation
   d) Compliance with the required minimum ownership of Filipino or maximum ownership of foreigners in industries reserved to Filipinos
   e) Majority of incorporators who are natural persons must be residents of the Philippines

601. Which of the following minimum ownership of Filipinos in certain industry is incorrect?
   a) Mass Media – at least 100% reserved to Filipinos
   b) Advertising – at least 70% reserved to Filipinos
   c) Public Utility – at least 60% reserved to Filipinos
   d) Educational Institution – at least 60% reserved to Filipinos
   e) Exploration, evaluation and development of natural resources – at least 60% reserved to Filipinos
   f) Ownership of land – at least 60% of the stockholders of the Corporation must be Filipinos
   g) Review center – at least 100% reserved to Filipinos

602. What is the minimum authorized capital stock of a private stock corporation (ordinary corporation or One Person Corporation)?
   a) P5,000
   b) P1,000
   c) P5
   d) None

603. What is the minimum subscribed capital stock of a private stock corporation (ordinary corporation or One Person Corporation)?
   a) 25% of authorized capital stock
   b) P5,000
   c) a or b, whichever is higher
   d) None

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604. What is the minimum paid up capital stock of a private stock corporation (ordinary corporation or One Person Corporation)?
   a) 25% of actually subscribed capital stock
   b) P5,000
   c) a or b, whichever is higher
   d) None

605. What is the start of juridical personality of a private corporation?
   a) The juridical personality of a private corporation begins from the moment the SEC issues the certificate of registration.
   b) The juridical personality of a private corporation begins from the moment of execution of articles of incorporation to SEC.
   c) The juridical personality of a private corporation begins from the moment of receipt by SEC of articles of incorporation from incorporators.
   d) The juridical personality of a private corporation begins from the moment of formal organization of corporation through its operation.

606. It refers to the primary franchise of a private corporation. It is issued by SEC to a newly formed corporation to serve as evidence of the existence of the juridical personality of the corporation.
   a) Articles of incorporation
   b) Certificate of registration
   c) By-laws
   d) Board resolution

607. What is the period required by Revised Corporation Code to a newly formed corporation to formally organize from the date of issuance of certificate of registration?
   a) One (1) year
   b) Two (2) years
   c) Three (3) years
   d) Five (5) years

608. What is the effect if a newly formed corporation failed to formally organize within the period provided by law?
   a) The corporation is ipso facto or automatically dissolved by operation of law without need of a court order or SEC decision.
   b) The corporation will be considered a de facto corporation.
   c) That failure serves as a ground for cancellation of certificate of registration but with a need for notice and hearing.
   d) The corporation remains a de jure corporation.

609. It refers to a corporation that is placed by SEC under this status because it subsequently becomes inoperative for a period of at least five (5) years.
   a) Defaulting corporation
   b) Delinquent corporation
   c) Delaying corporation
   d) Denied corporation

610. It refers to the rules of action adopted by a corporation for its internal government and for the regulation of conduct, and it prescribes the rights and duties of its stockholders or members towards itself and among themselves in reference to the management of its affairs.
   a) Articles of incorporation
   b) Certificate of registration
   c) By-laws
   d) Board resolution

611. What is the period for the submission of the by-laws to SEC by an ordinary corporation?
   a) At the time of submission of articles of incorporation to SEC
   b) Within 30 days from the submission of articles of incorporation to SEC
   c) Within 30 days from the issuance by SEC of Certificate of Registration
   d) Within 30 days from the formal organization of a newly formed corporation

612. What is the required vote for the amendment of by-laws when there is no valid delegation by stockholders to Board of Directors of the power to amend by-laws?
   a) At least majority vote of the board of directors and approval by at least majority vote of the stockholders
   b) At least majority vote of the board of directors
   c) At least 2/3 vote of the stockholders
   d) At least majority vote of the stockholders

613. What is the governing body of an ordinary stock corporation?
   a) Board of Directors
   b) Board of Trustees
   c) General Assembly
   d) Executive Committee

614. What is the number of directors of an ordinary stock corporation?
   a) 1 to 15
   b) 1 but may exceed 15
   c) 5 or 10 or 15
   d) One

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615. What is the maximum term of a director of an ordinary stock corporation?
   a) One (1) year
   b) Two (2) years
   c) Three (3) years
   d) Five (5) years
   e) None

616. Which of the following is not a qualification of director or trustee of an ordinary corporation?
   a) He must own at least one share of the capital stock of the corporation or a member.
   b) He must be of legal age.
   c) The number of directors, which shall not be more than fifteen (15) or the number of trustees which may be more than fifteen (15).
   d) Compliance with the required minimum ownership of Filipino or maximum ownership of foreigners in industries reserved to Filipinos
   e) He must be a resident of the Philippines.

617. He refers to a person who, apart from shareholdings and fees received from the corporation, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out the responsibilities as a director.
   a) Provisional director
   b) Independent director
   c) Rehabilitator
   d) Receiver

618. What is the minimum number of independent directors of corporations vested with public interest?
   a) At least ten percent (10%) of members of the board
   b) At least twenty percent (20%) of members of the board
   c) At least thirty percent (30%) of members of the board
   d) At least five percent (5%) of members of the board

619. Which of the following is a ground for permanent disqualification (lifetime ban) to a director or trustee of a corporation?
   a) Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years
   b) Conviction by final judgment of violation of Revised Corporation Code
   c) Conviction by final judgment of violation of the Securities Regulation Code
   d) Found administratively liable for any offense involving fraudulent acts
   e) None of the above

620. What is the quorum for validity of meeting for election of directors of an ordinary stock corporation?
   a) At least majority of the outstanding capital stock entitled to vote
   b) At least majority of the outstanding capital stock voting and nonvoting
   c) At least 2/3 of the outstanding capital stock entitled to vote
   d) At least 2/3 of the outstanding capital stock voting and nonvoting

621. If there are 100 outstanding voting stocks and 9 sits in the Board of Directors, what is the minimum number of voting stocks to obtain one guaranteed sit in the board? ((Number of outstanding voting stocks / Number of sits in the Board +1) + 1)
   a) At least 9 stocks
   b) At least 10 stocks
   c) At least 11 stocks
   d) At least 12 stocks

622. There are 15 sits in the Board of Directors. 8 sits are vacant due to 4 resigning directors and 4 deceased directors. How shall the 8 vacant sits be filled up?
   a) By majority vote of remaining members of the board of directors
   b) By plurality vote of voting stockholders in a valid election with quorum
   c) Either a or b
   d) Neither a nor b

623. There are 15 sits in the Board of Directors. 5 sits are vacant due to 2 resigning directors, one abandoning director, one disqualified director and one deceased director. How may the 5 vacant sits be filled up?
   a) By majority vote of remaining members of the board of directors
   b) By plurality vote of voting stockholders in a valid election with quorum
   c) Either a or b
   d) Neither a nor b

624. There are 14 sits in the Board of Directors. 3 sits are vacant due to one removed director by at least 2/3 of stockholders, one director whose term has expired and one new sit due to increase in the board sits. How shall the 3 vacant sits be filled up?
   a) By majority vote of remaining members of the board of directors
   b) By plurality vote of voting stockholders in a valid election with quorum
   c) Either a or b
   d) Neither a nor b

625. There are 15 sits in the Board of Directors. 2 sits are vacant due to one removed director by at least 2/3 of stockholders and one resigning director. How shall the 2 vacant sits be filled up?
   a) By majority vote of remaining members of the board of directors
   b) By plurality vote of voting stockholders in a valid election with quorum
   c) Either a or b
   d) Neither a nor b

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626. It refers to a board formed when an emergency action is required to prevent grave, substantial, and irreparable loss or damage to the corporation by temporarily appointing a director when the vacancy prevents the remaining directors from constituting a quorum.
   a) Emergency board
   b) Provisional board
   c) Temporary board
   d) Preliminary board

627. Who may be temporarily elected as a director in an emergency board and what is the required vote for his temporary appointment?
   a) Officer of a corporation by a unanimous vote of the remaining directors without quorum
   b) Officer of a corporation by a majority vote of the remaining directors without quorum
   c) Stockholder of a corporation by a unanimous vote of the remaining directors without quorum
   d) Stockholder of a corporation by a majority vote of the remaining directors without quorum

628. In what type of benefits are the directors of a corporation generally entitled to despite the absence of approval of stockholders?
   a) Reasonable per diems
   b) Salary or compensation
   c) Both a and b
   d) Neither a nor b

629. What is the maximum limit of salary of members of the board of directors?
   a) Not exceeding 10% of net income after tax of immediately succeeding year
   b) Not exceeding 10% of net income before tax of immediately succeeding year
   c) Not exceeding 10% of net income before tax of immediately preceding year
   d) Not exceeding 10% of net income after tax of the current year

630. What is the membership of executive committee of an ordinary stock corporation?
   a) At least 3 members of the board of directors
   b) At least 5 members of the board of directors
   c) At least 4 members of the board of directors
   d) At least 2 members of the board of directors

631. Which power may be delegated by the board of directors to the executive committee? (FAAD)
   a) Filing up of vacancy in the board of directors
   b) Amendment of by-laws
   c) Approval of corporate acts that require ratification by stockholders
   d) Distribution of cash dividend
   e) Selection of independent external auditor

632. There are 15 directors in the board of an ordinary corporation. 10 directors attended the meeting for the approval of the compensation package of the employees. What is the quorum for validity of meeting and required vote for the approval of the compensation package, respectively?
   a) At least 8 directors and at least 6 votes
   b) At least 10 directors and at least 5 votes
   c) At least 9 directors and at least 6 votes
   d) At least 11 directors and at least 8 votes

633. This doctrine means that the decision of the board of directors on matters of management cannot be changed by the court unless such management decision is ultra vires or destructive of the interest of minority stockholders.
   a) Business judgment rule or doctrine of management prerogative
   b) Social justice
   c) Trust fund doctrine
   d) Limited liability rule

634. There are 15 directors in the board of an ordinary corporation. 10 directors attended the meeting for the election of the corporate president, treasurer and secretary. What is the quorum for validity of meeting and required vote for the election of the above mentioned mandatory corporate officers, respectively?
   a) At least 8 directors and at least 6 votes
   b) At least 10 directors and at least 5 votes
   c) At least 9 directors and at least 6 votes
   d) At least 8 directors and at least 8 votes

635. Which of the following is not a qualification of a corporate President?
   a) He must be a stockholder.
   b) He must be a director.
   c) He must be neither be a secretary nor a treasurer of the same corporation.
   d) He must be a resident of the Philippines.

636. Which of the following is not a qualification of a corporate Secretary?
   a) He must be a Filipino citizen.
   b) He must be a resident of the Philippines.
   c) He must not be a president of the same corporation.
   d) He must be a director.

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637. Which of the following is not a qualification of a corporate Treasurer of an ordinary corporation?
   a) He must be a Filipino citizen.
   b) He must be a resident of the Philippines.
   c) He must not be a president of the same corporation.
   d) None of the above

638. He refers to a corporate officer that must be elected by the board of directors in a corporation vested with public interest with a duty to ensure obedience by the corporation vested with public interest with laws and rules and regulations.
   a) Chief Financial Officer
   b) Chief Executive Officer
   c) Chief Operating Officer
   d) Compliance Officer

639. Which officer of the corporation is required to be a director-stockholder of the corporation?
   a) President and Chairman of the Board
   b) Secretary and Treasurer
   c) Compliance Officer and Controller
   d) None of the above

640. Which is not within the three-fold duty of a director?
   a) Duty of loyalty
   b) Duty of obedience
   c) Duty of diligence
   d) Duty of independence

641. It is a legal agreement that grants operational control of a business initiative (managed corporation) to a separate group (managing corporation).
   a) Management contract
   b) Executive agreement
   c) Conventional organization
   d) Cooperation pact

642. What is the required vote for approval of management contract without interlocking director?
   a) At least majority vote of board of directors with ratification of at least majority of stockholders of managed corporation and at least majority vote of board of directors with ratification of at least majority of stockholders of managing corporation
   b) At least majority vote of board of directors with ratification of at least 2/3 of stockholders of managed corporation and at least majority vote of board of directors with ratification of at least majority of stockholders of managing corporation
   c) At least vote of board of directors with ratification of at least 2/3 of stockholders of managed corporation and at least majority vote of board of directors with ratification of at least 2/3 of stockholders of managing corporation
   d) At least majority vote of board of directors with ratification of at least majority of stockholders of managed corporation and at least majority vote of board of directors with ratification of at least 2/3 of stockholders of managing corporation

643. Which share is allowed to vote?
   a) Treasury share
   b) Delinquent share
   c) Fractional share
   d) Escrow share before fulfilment of condition or before arrival of suspensive period
   e) Subscribed share not yet delinquent

644. It refers to a written authorization given by one person to another so that the second can act for the first. It also refers to the agent or holder of authority or person authorized by an absent stockholder or member to vote for him at a stockholders' meeting.
   a) Proxy
   b) Voting trust agreement
   c) Consent
   d) Call

645. It refers to the agreement whereby stockholders (trustors) of a stock corporation confers upon a trustee the right to vote and other rights pertaining to the shares and it should not be used to circumvent the law against monopolies and illegal combinations in restraint of trade or for fraud purposes.
   a) Proxy
   b) Voting trust agreement
   c) Consent
   d) Call

646. What is the maximum period of a proxy agreement and/or voting trust agreement?
   a) One (1) year
   b) Two (2) years
   c) Three (3) years
   d) Five (5) years

647. When may the stockholders or members vote through remote communication or in absentia in the election of directors or trustees?
   a) When so authorized in the by-laws
   b) When authorized by a majority vote of the board of directors/trustees
   c) Either a or b
   d) Both a and b

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648. What is the place of meeting of meeting of stockholders?
   a) In the city or municipality where the Principal Office of the Corporation is located preferably in the principal office of the corporation
   b) In the city or municipality stipulated in the articles of incorporation
   c) In the city or municipality stipulated in the by-laws
   d) Any of the above

649. In the absence of provision in the by-laws, what is the frequency of regular meeting of stockholders and directors, respectively?
   a) Monthly and quarterly
   b) Annually and monthly
   c) Quarterly and annually
   d) Monthly and weekly

650. In the absence of provision in the by-laws, what is the date of annual regular meeting of stockholders?
   a) Any day of April
   b) Any date after April 15
   c) April 15
   d) None of the above

651. What is the minimum days of giving notice to stockholders and directors before the scheduled regular meeting of stockholders, special meeting of stockholders and regular/special meeting of directors, respectively?
   a) At least 21 days – At least one week – At least two days
   b) At least two weeks – At least one week – At least one day
   c) At least 10 days – At least 5 days – At least 3 days
   d) At least one month – At least two weeks – At least one week

652. When are the stockholders entitled to dividends?
   a) When the corporation reported net income
   b) When the corporation has retained earnings
   c) When the Board of Directors declared dividends
   d) When the corporation has improperly accumulated retained earnings

653. What date will be used to determine the stockholders entitled to dividends?
   a) Date of declaration
   b) Date of record
   c) Date of payment
   d) None of the above

654. In the absence of valid appropriation of retained earnings, what is the maximum retained earnings that may be accumulated by a stock corporation?
   a) Up to 100% of authorized capital stock
   b) Up to 100% of legal capital
   c) Up to 100% of paid-up capital
   d) Up to 100% of subscribed capital stock

655. Which of the following is not a requirement for a valid exercise of right to inspect corporate books by a stockholder?
   a) The right must be exercised during reasonable hours on business days.
   b) The person demanding the right has not improperly used any information obtained through any previous examination of the books and records of the corporation.
   c) The demand is made in good faith or for legitimate purpose.
   d) The right must be exercised be exercised by the stockholder in person and not through a proxy or representative or legal counsel.

656. It refers to the common law right of shareholders to subscribe to all issues or disposition of shares of any class in proportion to their present shareholdings unless denied in the articles of incorporation in order to protect both the proprietary and voting rights of an incumbent stockholder in a corporation.
   a) Right of first refusal
   b) Preemptive right
   c) Appraisal right
   d) Right of representation

657. In which of the following instances is preemptive right available to incumbent stockholder?
   a) Shares to be issued to comply with laws requiring stock offering or minimum stock ownership by the public such in the case of initial public offering (IPO)
   b) Reissuance of treasury shares
   c) In case of non-stock corporation
   d) To shares that are being reoffered by the corporation after they were initially offered together with all the shares to the existing stockholders who initially refused them

658. What is the required vote for waiver of preemptive right for the shares to be issued in good faith in exchange for the property needed for corporate purposes or shares to be issued in good faith in payment of previously contracted debts of the corporation?
   a) At least 2/3 vote of outstanding capital stock
   b) At least 3/4 vote of outstanding capital stock
   c) At least 1/4 vote of outstanding capital stock
   d) At least majority vote of outstanding capital stock

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659. It refers to a contractual right of an incumbent stockholder of a close corporation or of the close corporation. It provides that a stockholder who may wish to sell or assign his shares must first offer the shares to the corporation or to other existing stockholders of the corporation, under terms and conditions which are reasonable; and that only when the corporation or the other stockholders do not or fail to exercise their option, is the offering stockholder at liberty to dispose of his shares to third parties.
a) Preemptive right
b) Right of first refusal
c) Appraisal right
d) Right of representation

660. It refers to the right of a dissenting stockholder to demand the payment of the fair value of his shares after dissenting from a proposed corporate action involving a fundamental change in the corporation in the cases provided by law when such right is available.
a) Preemptive right
b) Right of first refusal
c) Appraisal right
d) Right of representation

661. In which of the following corporate acts is preemptive right not available to a dissenting stockholder? (AIM-CSC)
a) Merger or Consolidation of two or more corporations
b) Changing the corporate term whether shortening or extending it
c) Sale, pledger or mortgage of all or substantially all the assets of the corporation
d) Increase or decrease of authorized capital stock

662. It refers to a suit brought by one or more stockholders or members in the name and on behalf of the corporation to redress wrongs committed against it or to protect or vindicate corporate rights, whenever the officials of the corporation refuse to sue or are the ones to be sued or hold control of the corporation.
a) Individual suit
b) Representative suit
c) Derivative suit
d) Labor dispute

663. In the absence of other facts, what is the nature of liability of stockholders for the unpaid obligations of the corporation?
a) A stockholder is personally liable for the financial obligations of the corporation to the extent only of his unpaid subscription.
b) A stockholder is personally liable for the financial obligations of the corporation to the extent of his separate assets.
c) A stockholder is liable solidarily with the corporation for its financial obligations.
d) A stockholder is liable prorata and subsidiarialy up to the extent of his separate assets for the financial obligations of the corporation.

664. What is the nature of liability of consenting director/officer, non-objecting director/officer despite knowledge of issuance of watered stock, subscriber, subsequent transferor and transferee regarding the issuance of watered stock?
a) They shall be solidarily liable for the difference between the fair value received at the time of issuance of stock and the par or issue value of the same.
b) They shall be jointly liable for the difference between the fair value received at the time of issuance of stock and the par or issue value of the same.
c) They shall be subsidiarily liable for the difference between the fair value received at the time of issuance of stock and the par or issue value of the same.
d) They shall be indirectly liable for the difference between the fair value received at the time of issuance of stock and the par or issue value of the same.

665. Which is not a characteristic of a contract of subscription of shares of stocks?
a) It is an indivisible contract.
b) It is a consensual contract.
c) It is a contract covered by statute of fraud.
d) None of the above

666. Which of the following is not a valid consideration for issuance of shares of stocks?
a) Unrestricted retained earnings
b) Preexisting obligation of corporation
c) Shares of stocks of another corporation
d) Future services

667. Which right is not available to a subscriber of shares of stocks not yet declared delinquent?
a) Right to dividends
b) Right to certificate of stock
c) Right to vote
d) Right to inspect the corporate books

668. Which of the following is not a characteristic of shares of stocks as an asset?
a) It is a personal or movable asset.
b) It is an intangible asset.
c) It represents co-ownership right.
d) It represents indirect and inchoate interests in the net assets of the corporation.

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669. What is the operative act that makes subscribed shares delinquent?
   a) Nonpayment of subscription balance on maturity
   b) Issuance by the Board of Directors of Call on unpaid subscription balance
   c) Lapsing of 30 days from maturity date of subscription or from the date stated in the call for the payment of subscription balance
   d) Declaration of delinquency by a commercial court

670. If there is no higher bidder in the public sale of delinquent shares, what may the Corporation do to such shares?
   a) The corporation may acquire and place them in treasury shares.
   b) The corporation may donate them to shareholders.
   c) The corporation may declare them as stock dividends.
   d) The corporation may declare them as property dividends.

671. What is the nature of a certificate of stock?
   a) It is a negotiable instrument.
   b) It is a promissory note.
   c) It is a quasi-negotiable instrument.
   d) It is a bill of lading.

672. It refers to the corporate book which contains the record of all stocks in the names of the stockholders alphabetically arranged; the installment paid and unpaid on all stock for which subscription has been made, and the date of payment of any installment; a statement of every alienation, sale or transfer of stock made, the date thereof, and by and to whom made; and such other entries as the by-laws may prescribe.
   a) Minutes of meetings
   b) Stock and transfer book
   c) Board resolution
   d) Financial accounting book

673. It refers to the extinguishment of the corporate franchise and the termination of corporate existence.
   a) Corporate liquidation
   b) Corporate dissolution
   c) Corporate rehabilitation
   d) Corporate reorganization

674. What is the required vote for voluntary dissolution of a private corporation where creditors are not affected?
   a) At least majority vote of the board of directors with ratification of at least majority of stockholders
   b) At least majority vote of the board of directors with ratification of at least 2/3 of stockholders
   c) At least majority vote of the board of directors
   d) At least 2/3 of stockholders

675. Which of the following is not an automatic ground for dissolution of a private corporation?
   a) By expiration of corporate term although the corporation may file an application for revival of corporation
   b) Failure to formally organize within 5 years from date of issuance of SEC of certificate of registration
   c) Approval by SEC of shortened corporate term
   d) Approval by SEC of certificate of merger or consolidation
   e) Continuous inoperation for a period of at least 5 years

676. It refers to the process of converting non-cash assets of a liquidation corporation into cash and distributing the net proceeds to creditors first and then the remainder to stockholders.
   a) Corporate liquidation
   b) Corporate dissolution
   c) Corporate rehabilitation
   d) Corporate reorganization

677. What is the recommendatory period for corporate liquidation from the date of dissolution of a corporation?
   a) One (1) year
   b) Two (2) years
   c) Three (3) years
   d) Five (5) years

678. Which is not a requirement of a close corporation?
   a) The number of stockholder must exceed 20.
   b) Issues stocks are subject to transfer restrictions such as right of first refusal or a right of preemption in favor of the stockholders or the corporation.
   c) The corporation shall not be listed in the stock exchange or its stocks should not be public offered
   d) At least 2/3 of the voting stocks or voting rights are not owned or controlled by another corporation which is not a close corporation.

679. Which of the following corporations is allowed to be incorporated as a close corporation? (I-COME-BSP)
   a) Stock exchange
   b) Mining company
   c) Oil company
   d) Review center

680. Who has the authority to break a deadlock in a close corporation?
   a) Securities and Exchange Commission
   b) Regional Trial Court
   c) Court of Tax Appeals
   d) Department of Trade and Industry

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681. It refers to a type of business combination whereby the acquirer corporation absorbs the net assets (assets and obligations) of the acquiree corporation. (A+B = A)
   a) Merger
   b) Consolidation
   c) Acquisition of majority of shares of stocks
   d) Acquisition of specific asset

682. Which of the following is not a requisite for validity of merger or consolidation of two or more corporations?
   a) It must be approved by the board of each corporation by at least majority vote.
   b) It must be ratified by vote of stockholders representing at least 2/3 of outstanding capital stock or members.
   c) It must be approved by the Securities and Exchange Commission.
   d) It must be approved by Philippine Competition Commission.
   e) It must be approved by creditors of the merging or consolidating corporations.

683. It refers to a corporation with a single stockholder.
   a) One person corporation
   b) Ordinary corporation
   c) Close corporation
   d) Family owned corporation

684. Which of the following is not allowed to be incorporated as a One Person Corporation?
   a) Natural person
   b) Trust established by a Trustor for the benefit of a beneficiary
   c) Estate of a deceased person
   d) CPA or Lawyer for the exercise of accounting profession or legal profession

685. Which of the following entities is allowed to be incorporated as a One Person Corporation? (BTNGPPPPIQ)
   a) Quasi-banks
   b) Pre-need company
   c) GOCC
   d) Restaurant

686. Which document must be submitted by a One Person Corporation to SEC?
   a) Articles of Incorporation
   b) By-laws
   c) Both a and b
   d) Neither a nor b

687. What suffix must be indicated in the name of a One Person Corporation?
   a) Co.
   b) Ltd.
   c) OPC
   d) Inc.

688. Which position may be concurrently held by the single stockholder aside from being the automatic President and Director of the One Person Corporation?
   a) Treasurer
   b) Secretary
   c) Either a or b
   d) Both a and b

689. How many nominees must be submitted by the single stockholder of One Person Corporation to SEC?
   a) At least one nominee
   b) At least two nominees
   c) At least three (3) nominees
   d) At least four (4) nominees

690. How may a One Person Corporation be converted to an Ordinary Corporation?
   a) By mere amendment of articles of incorporation
   b) By mere amendment of by-laws
   c) Either a or b
   d) Neither a nor b

691. How may an Ordinary corporation be converted to a One Person Corporation?
   a) By mere amendment of articles of incorporation
   b) By mere amendment of by-laws
   c) Either a or b
   d) Neither a nor b

692. In a One Person Corporation, who has the burden of proof in case of its bankruptcy?
   a) A sole shareholder claiming limited liability has the burden of affirmatively showing that the corporation was adequately financed.
   b) The creditors of One Person Corporation have the burden to prove that the veil of corporate fiction shall be pierced.
   c) Either a or b
   d) Neither a nor b

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693. Which of the following statements relative to a corporation is false?
   a. A corporation has a legal personality distinct and separate from its stockholders.
   b. A corporation may be entitled to an award of moral damages where its good reputation is besmirched resulting into social humiliation.
   c. The interest of shareholders is corporate property is purely inchoate.
   d. A corporation is not within the protection of constitution regarding the right to secure against unreasonable searches and seizures.

694. Which is an element of the doctrine of "piercing the veil of corporate entity?"
   a) Complete control over the business.
   b) Control is used to commit fraud or wrong
   c) Control and breach of duty are the proximate cause of the injury or loss.
   d) All of the foregoing

695. The doctrine or "piercing the veil of corporate entity" shall not be applied where:
   a) The corporate operates for the benefit of single individual who exercises complete over its funds.
   b) The corporate controls the majority of stock of another corporation.
   c) The corporation is a mere alter ego of another corporation.
   d) The corporation is organized as a device to evade an outstanding legal obligation.

696. Which of the following statement is true?
   a) A corporation enjoying a legislative franchise to supply electricity may engage in buying and selling agricultural lands.
   b) A corporation engaged in car dealership may engage in land transportation business.
   c) A corporation engaged in deep sea fishing may operate in ice plant as a public service operator.
   d) A corporation engaged in the manufacture of rubber shoes may engage in the manufacture of rubber cement.

697. One of the following attributes is not common to both a corporation and a partnership?
   a) Succession
   b) Income tax rate
   c) Juridical personality
   d) Can act through agents only

698. One of t following entities cannot be organized as a stock corporation:
   a) Bank
   b) Close corporation
   c) Religious corporation
   d) Educational corporation

699. Which of the following entities are private corporations, as distinguished from public corporations?
   a) GSIS
   b) National Power Corporation
   c) Public Utilities
   d) All of the foregoing

700. A corporation may be a partner to another corporation where:
   a) All partners are managing partners and the articles of incorporation expressly allow it.
   b) The foreign n corporation is a general partner in a domestic limited partnership.
   c) A joint venture is entered into that is not in line with its business.
   d) None of the foregoing

701. Which of the following statements relative to a corporation, stock or non stock, is trust?
   a) All incorporators are stockholders.
   b) All corporators are incorporators.
   c) All incorporators are subscribers.
   d) None of the foregoing

702. Which of the following statements in relation to capital stock is false?
   a) There is no authorized capital stock in no par value shares.
   b) Subscribed capital stock is still unissued.
   c) Treasury stock is not part of outstanding capital stock.
   d) None of the foregoing.

703. One of the following is not a feature of "authorized capital stock".
   a) It applies only to par value stock.
   b) It represents the maximum stock that may be issued by the corporation.
   c) It may include subscribed capital stock.
   d) It may include retained earnings.

704. One of the following is a feature of a share of stock:
   a) It makes the stockholder a creditor of the corporation.
   b) It is an incorporeal right.
   c) It represents property of the corporation
   d) It requires a certificate of stock to vest ownership.

705. Which of the following is not a feature of preferred stock?
   a) It cannot vote, unless expressly granted in the article of incorporation.
   b) It is only preferred as to dividends in the absence of stipulation,
   c) It is always a par value stock.
   d) It may be redeemed stock.

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706. Preferred shares that are entitled to receive not only the stipulated dividends at a certain rate but also pro-rata with the common shares in the remaining profits are known as:
a) Cumulative
b) Non-cumulative
c) Participating
d) Non-participating

707. Which of the following components of stockholders' equity does not form part of legal capital?
a) Paid-in capital stock
b) Retained earnings
c) Premium on capital stock
d) Donated capital

708. Which of the following statements does not characterized a no-par value share?
a) It always has an issued value
b) It may be issued together with par value shares.
c) It may be issued even if the subscription is not yet fully paid.
d) It has no stated value appearing on the certificate of stock.

709. The value of a share of stock, which is increased by net profits or reduced by net losses of the corporation, is known as:
a) Book value
b) Par value
c) Market value
d) Liquidating value

710. Which of the following corporations may issue no-par value stock?
a) Banks
b) Insurance companies
c) Public utilities
d) None of the foregoing

711. One of the following transactions does not require the adequacy of unrestricted retained earnings:
a) Redemption of redeemable shares
b) Dividend on common stock
c) Reacquisition on treasury shares
d) Dividend on preferred stock

712. A non-voting preferred stock cannot vote in:
a) Filling of vacancy in the board.
b) Amendment of articles of incorporation
c) Increase or decrease in capital stock
d) Dissolution of the corporation

713. Which of the following statement does not characterize a treasury share?
a) It is an issued share but it is not classified as an outstanding share.
b) It has no voting right.
c) It may be sold at less than the par value.
d) It may be distributed as a stock dividend

714. There are five (5) incorporators (A, B,C,D and E) of a stock corporation to be organized. Which of the following cases shall be approved by the Securities and Exchange Commission?
a) A,B,and C are Filipino residing in Canada; D and E are American citizen residing in the Philippines.
b) A,B,C and D are over 21 years old; E is 16 years old.
c) A,B,C and D are natural persons; E is a registered partnership.
d) A,B,C and D are subscribers of 1 share each ; all the remaining subscriptions belong to E.

715. Which of the following statements relative to an incorporator is true?
a) Duly established cooperatives and corporations primarily organized to hold equities in rural banks may be incorporators of rural banks.
b) Natural persons may be incorporators of stock and non-stock corporations.
c) Both (a) and (b).
d) Neither (a) nor (b).

716. Which of the following statements relative to the filing of the articles of incorporation with the SEC is false?
a) The "express lane" may be availed of upon payment of a minimal fee by corporations to be organized with a capital stock not exceeding P1,000,000.
b) The articles of incorporation shall be submitted together with other related documents, such as the corporate treasurer's affidavit, bank certification on deposit, and recommendations from the appropriate government agency in cases of corporations governed by special laws.
c) The articles of incorporation may state the principal purpose of the corporation couched in broad and general terms.
d) None of the foregoing

717. When may the corporate by-laws be filed with the SEC?
a) Upon the filing of the articles of incorporation.
b) Within one (1) month from the filing of the articles of incorporation.
c) Either (a) or (b).
d) Neither (a) nor (b)

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718. What is the term of corporate existence?
   a) The term as specified in the articles of incorporation which must not be less than fifty (50) years.
   b) The term as specified in the articles of incorporation which must not be more than fifty (50) years.
   c) Fifty (50) years.
   d) Indefinite number of years.

719. Determine which of the following "purpose clauses" contained in the articles of incorporation shall be accepted by the SEC?
   a) To practice law in the Philippines.
   b) To carry out any lawful business or purpose.
   c) Both (a) and (b).
   d) Neither (a) nor (b).

720. A corporation to be formed has authorized par value capital of stock P8,000,000 divided into 80,000 shares a P100 par value, and an authorized no-par value capital stock of 200,000 shares. Which of the following cases meets the pre- incorporation subscription requirement?
   a) On the par-value stock, 20,000 shares are subscribed and 5,000 shares thereof are paid; on the no-par value stock, 50,000 shares are subscribed and 12,500 shares thereof are paid.
   b) On the par-value stock, 40,000 shares are subscribed and 20,000 shares thereof are paid; on the no-par value stock, 100,000 shares are subscribed and 50,000 shares thereof are paid.
   c) On the par value stock, 20,000 shares are subscribed and 5,000 shares thereof are paid; on the no-par value stock, 50,000 shares are subscribed and fully paid.
   d) None of the foregoing.

721. Which of the following cases requires full payment upon subscription of stock?
   a) Subscription of corporation par value shares by a
   b) Subscription of no-par value shares
   c) Both (a) and (b)
   d) Neither (a) nor (b)

722. An amendment in the articles incorporation that of would shorten the corporate term requires the approval of the:
   a) Majority vote of the board directors/trustees and majority vote of or written assent of the outstanding capital stock/members
   b) Majority vote of the board of directors/trustees and 2/3 vote or written assent of the outstanding capital stock/members
   c) Majority vote of the board of directors/trustees and 2/3 vote of the outstanding capital stock/members.
   d) 2/3 vote of the board of directors/trustees and 2/3 vote of the outstanding capital stock/members

723. Which of the following amendments shall require for its approval only the majority vote of the board of directors and the vote or written assent of 2/3 of the outstanding capital stock?
   a) Amendment to decrease or increase capital stock
   b) Amendment to increase the number of the board of directors
   c) Amendment to incur bonded indebtedness
   d) Amendment to reduce voting requirement in a close corporation

724. Any amendment to the articles incorporation shall take effect upon the:
   a) Date of approval by the SEC
   b) Date of filing if not acted upon within six (6) months therefrom for cause not attributable to the corporation
   c) Either (a) or (b)
   d) Neither (a) nor (b)

725. Which of the following corporate trade names are not confusingly similar with each other?
   a) "House of Investments" VS. "House of insurance , Inc."
   b) "Philips Export B.V." vs. "Philips Industrial Development, Inc."
   c) "Universal Textile Mills, Inc." vS. "Universal Mills Corporation"
   d) All the foregoing are confusingly similar with each other.

726. Which of the following statements relative to de jure and de facto corporations is false?
   a) A *de jure* corporation is one that was able to comply substantially with all the requirements of the law for its incorporation.
   b) A *de facto* corporation is one that was able to make colorable compliance of the legal requirements for its incorporation.
   c) A *de jure* corporation's existence can be attacked in a *quo warranto* proceeding.
   d) None of the foregoing.

727. Which of the following is a characteristic of a *de facto* corporation?
   a) There is a *bona fide* attempt to comply with the requirements of the law in organizing the corporation.
   b) There is an actual exercise of corporate powers in good faith.
   c) Both (a) and (b).
   d) Neither (a) nor (b).

728. Which of the following defects would make the corporation a *de facto* corporation?
   a) The corporate name which resembles the name of a pre-existing corporation is likely to deceive the public.
   b) Failure to file the articles of incorporation with the SEC.
   c) Absence of certificate of incorporation from the SEC.
   d) Continuing business operations despite the discovery of the defect or defects after incorporation without any action to correct them.

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729. Which of the following statements relative to a corporation by *estoppel* is false?
   a) It is an ostensible corporation.
   b) It is treated as a *de jure or de facto* corporation between the persons misrepresenting themselves as a corporation and the persons who relied on the their misrepresentation.
   c) Those who assume to act as a corporation shall be liable as general partners for all debts, liabilities and damages resulting therefrom
   d) None of the foregoing.

730. Determine which of the following omissions shall result into the automatic cessation of corporate powers and dissolution of the corporation?
   a) Failure of a corporation to formally organize and commence business transactions or construction of its works within two (2) years from the date of its incorporation.
   b) Subsequent continuous inoperation for at least five (5) years
   c) Both (a) and (b).
   d) Neither (a) nor (b).

731. Which of the following statements relative to the board of directors Of a stock corporation is false?
   a) The number of directors must not be less than five (5) nor more than fifteen (15).
   b) The majority of the directors must be citizens of the Philippines.
   c) Each director must own at least one share (not delinquent share) of the capital stock registered in his name in the corporate books (qualifies even if he is not actually the beneficial owner, such as a voting trustee).
   d) The term of office of directors is one (1) year, unless a valid holdover takes place (e.g. failure of quorum to hold the election).

732. Which of the following statements relative to the board of directors of a stock corporation is false?
   a) Only natural persons can become members of the board of directors; provided, that a corporation that owns shares of stock in another corporation may designate its officer or representative to sit in the latter corporation's board of directors.
   b) b. A majority of the quorum of the board is sufficient to adopt a proposal calling for an election of officers.
   c) The President of the corporation must be a director, but he cannot occupy the positions of President-Treasurer or President- Secretary at the same time.
   d) Directors cannot attend or vote by proxy in board meetings.

733. Which of the following statements relative to the board of directors of a stock corporation is false?
   a) A director must not have been convicted by final judgment of an offense punishable by more than six (6) years imprisonment, or committed a violation of the Corporation Code within five (5) years prior to the date of election or appointment.
   b) A director may be removed from office by a vote of the majority of the outstanding capital stock with or without cause; provided, that removal without cause may not be used to deprive minority stockholders, who used cumulative voting to elect such director, of the right of representation.
   c) No director shall receive any compensation (other than per diems) as such, unless the same is granted in the by-laws or by a vote of at least 2/3 of the outstanding capital stock; provided; that the total yearly compensation (excluding per diems and compensation as officers) shall not exceed ten (10%) percent of the net income before income tax of the corporation during the preceding year.
   d) Additional qualifications may be provided in the by-laws (e.g. a director is disqualified for nomination or election if he owns at least 10% of the stocks of another competing corporation). A corporation has five (5) seats in the board of directors. X owns ten (10) shares.

734. Which of the following ways of voting in the election of directors exemplifies the use of straight-voting method?
   a) Fifty (50) votes for a single candidate
   b) Thirty (30) votes for a candidate and 20 votes for another candidate
   c) Either (a) or (b)
   d) Neither (a) nor (b)

735. Which of the following statements relative to the election of the board of directors of stock corporations is false?
   a) Non-voting shares of stock are counted in determining the quorum during elections although they cannot vote.
   b) Voting shall be by ballot, unless voting by viva voce is requested by majority of the stockholders.
   c) Stockholders may vote by proxy.
   d) Method of voting (straight-voting or cumulative voting) cannot be denied in the articles of incorporation or by-laws of stock corporations because it is a statutory right.

736. Which of the following statements relative to corporate officers is true?
   a) The term of office of the corporate President is coterminous with his term as a board director.
   b) The corporate President may simultaneously serve as the corporate Treasurer or Secretary.
   c) The corporate Treasurer must be a citizen of the Philippines.
   d) The corporate Secretary must also be a director or trustee of the corporation.

737. A, B, C, D, E, F and G are the members of the board of directors of a corporation. Unfortunately, E, F and G resigned for personal reasons. How shall the vacancies be filled up?
   a) The vacancies shall be filled up by the majority vote of the board of directors.
   b) The vacancies shall be filled up by the majority vote of the stockholders in a regular or special meeting.
   c) The vacancies shall be filled up by the vote of at least 2/3 of the stockholders in a regular or special meeting.
   d) None of the foregoing.

738. Assume the same facts in preceding number, except that E, F and G were removed from office due to fraudulent practices, How shall the vacancies be filled up?
   a) The vacancies shall be filled up by the majority vote of the board of directors.
   b) The vacancies shall be filled up by the majority vote of the stockholders in a regular or special meeting.
   c) The vacancies shall be filled up by the vote of at least 2/3 of the stockholders in a regular and/or special meeting.
   d) None of the foregoing.

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739. The contract entered into by a self-dealing director, trustee or officer is valid where:
   a) The presence of the director, trustee or officer in the board meeting in which the contract was approved was necessary to constitute a quorum for such meeting.
   b) The vote of such director, trustee or officer was necessary for the approval of the contract.
   c) Both (a) and (b).
   d) Neither (a) nor (b)

740. X is a director owning 20% of the outstanding capital stock of ABC Corporation and 40% of RST Corporation. The two corporations entered into a contract whereby ABC Corporation sold commercial its lot to RST Corporation. The contract was approved as follows: ABC Corporation 4 out of 5 directors voted in the affirmative, including X; RST Corporation 5 out of 7 directors voted in the affirmative, including X. The contract entered into by the two corporations is:
   a) Valid
   b) Voidable
   c) Unenforceable
   d) Void

741. A executive committee can validity act on the:
   a) Amendment of the articles of incorporations of the corporation.
   b) Preparation of the plan for merger of the corporation with another corporation.
   c) Filling of vacancy in the board of directors.
   d) None of the foregoing.

742. One of the following is not among the powers of a corporation:
   a) To sue and be sued
   b) Succession
   c) Making donations, except those in aid of any political party
   d) Establishment of retirement and the other benefits plans for its directors, trustees, officers and employees.

743. A stockholder's right of pre-emption may be denied where:
   a) Shares are to be issued in order to comply with the minimum 60% Filipino ownership required by law.
   b) Shares are to be issued in good faith and with the approval of at least 2/3 of the outstanding capital stock in payment of a previously contracted debt.
   c) Both (a) and (b).
   d) Neither (a) nor (b).

744. A corporation has an authorized capital stock of P4,000,000 composed of 40,000 shares @ P100 par value, of which only 10,000 shares have been offered for subscription. These 10,000 shares are now fully subscribed and paid for. The board of directors, by majority vote that is ratified by 2/3 vote of the outstanding capital stock, increased its capital stock by an additional 20,000 shares @ P100 par value. Which of the following shall meet the minimum subscription requirement?
   a) At least 15,000 shares must be subscribed and 3,750 shares thereof must be paid before the increase in capital stock will be approved by the SEC.
   b) At least 12,500 shares must be subscribed and 3,125 shares thereof must be paid before the increase in capital stock will be approved by the SEC.
   c) Atleast 5,000 shares must be subscribed and 1,250 shares thereof must be paid before the increase in capital stock will be approved by the SEC.
   d) None of the foregoing.

745. Assume the same facts in preceding number. All the remaining unissued shares are offered for subscription. To what extent is the pre-emptive right of x who OwnS 10% (1,000 shares) of the corporation?
   a) 2,000 new shares
   b) 2,000 new shares and 3,000 original shares
   c) 2,000 new shares and 4,000 original shares
   d) None of the foregoing

746. High-yield but high-risk bonds issued by heavily indebted or financially weak corporations that are desperately in need of additional capital are known as:
   a) Junk bonds
   b) Callable bonds
   c) Convertible bonds
   d) Guaranteed bonds

747. X Corporation owns shares of stock of Y Corporation. X corporation declares these shares as dividend to its stockholders. This dividend is known as:
   a) Stock dividend
   b) Liquidating dividend
   c) Scrip dividend
   d) Property dividend

748. Shareholders who shall receive the dividends are those who are registered as such in the stock and transfer book as of the:
   a) Date of declaration
   b) Date of record
   c) Date of payment
   d) None of the foregoing

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749. Which of the following distinctions between a cash dividend and a stock dividend is false?
   a) The declaration of cash dividend requires only a majority of the quorum of the board of directors; whereas the declaration of stock dividend requires the approval of at least 2/3 of the members of the board of directors.
   b) Cash dividend, once declared, belongs to the stockholder and cannot be transferred to any surplus account of the corporation; whereas the declaration of stock dividend may be rescinded before its actual issuance.
   c) Cash dividend has the effect of distributing the accumulated profits to the stockholders; whereas stock dividend has the effect of capitalizing such accumulated profits thereby increasing the corporation's capital .
   d) A delinquent stockholder is still entitled to receive cash dividend but it must first be applied to his unpaid subscription balance; whereas stock dividend shall be withheld until the delinquent stockholder pays his subscription in full.

750. Which of the following statements relative to fractional shares is false?
   a) A fractional share is a share that is less than one share of stock which may arise when the corporation declares stock dividend to its stockholders.
   b) A fractional share has no voting right.
   c) A fractional negotiated certificate to share. scrip certificate may be with another fractional scrip convert them into one full
   d) None of the foregoing.

751. The restructuring of corporate capital where the outstanding shares are called in and replaced by a larger number, accompanied by a corresponding reduction in the par or stated value of each share, is called:
   a) Stock adjustment
   b) Stock split-up
   c) Stock split-down
   d) Stock trading

752. A Which of the following cases shall justify a valid restriction of retained earnings?
   a) Justifiable expansion projects approved by the board of directors;
   b) Loan agreement requiring the debtor to first secure the consent of the creditor before any dividend may be declared, and such consent is not yet secured.
   c) Both (a) and (b).
   d) Neither (a) nor (b).

753. Which of the following statements relative to a "management contract" is false?
   a) The entire supervision and control over the officers and business of the managed corporation is turned over to the managing corporation.
   b) The contract must not be longer than five (5) years at any one term.
   c) The contract must be approved by the board of directors or trustees, and by the majority of the outstanding capital stock or members, as the case may be, of both the managing and managed corporations.
   d) The 2/3 vote of the outstanding capital stock entitled to vote or members, as the case may be, of the managed corporation shall be necessary whenever the stockholder/s having the same interest in both corporations own or control more than 1/3 of the total outstanding capital stock entitled to vote of the managing corporation

754. A corporation is organized for the purpose of manufacturing and processing fruit stuffs. Which of the following transactions shall be deemed an *ultra* vires act?
   a) Manufacture of canned tomato products.
   b) Manufacture of *shabu*
   c) Both (a) and (b)
   d) Neither (a) nor (b)

755. Which of the following statements relative to the by-laws of a corporation is false?
   a) It is to be submitted for approval to the SEC not later than one (1) month from receipt of official notice of the issuance of the certificate of incorporation.
   b) Any amendment or repeal thereto requires a majority vote of the board of directors or trustees and the 2/3 vote of the outstanding capital stock or members, as the case may be.
   c) It is not binding on third persons, unless they have actual or constructive knowledge thereof.
   d) None of the foregoing

756. Which of the following statements relative to corporate board meetings is true?
   a) It is held on a monthly basis.
   b) It must be held within the Philippines.
   c) It cannot be done through teleconferencing or videoconferencing.
   d) It may be attended by means of proxy.

757. Which of the following statements relative to corporate stockholders' or members' meetings is true?
   a) It is always held on any day of April each year.
   b) It can be conducted anywhere in the Philippines.
   c) It may be attended by means of proxy.
   d) It cannot be called on a special basis.

758. The majority of the outstanding capital stock or members entitled to vote shall be necessary for the approval of:
   a) Call of special meeting to remove directors or trustees
   b) Removal of directors or trustees
   c) Fixing of issued price of no-par value shares
   d) Delegation to the board of directors of the power to amend or repeal the by-laws or adopt new by –laws.

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759. The majority vote of the quorum of the board of directors and at least 2/3 vote of the outstanding capital stock or members, as the case may be, shall be necessary for the approval of:
a) Amendment of articles of incorporation
b) Amendment of by-laws
c) Issuance of stock dividends
d) None of the foregoing

760. The majority vote of the board of directors or trustees, and at least 2/3 vote of the outstanding capital stock or members, as the case may be, shall be necessary for the approval of.
a) Adoption of by-laws
b) Plan of merger or consolidation
c) Management contract
d) Fixing of issued price of no-par stock

761. Which of the following is not a characteristic of a "proxy?"
a) An oral proxy is not valid
b) It can be denied in the articles of incorporation and by-laws of a non-stock corporation.
c) A continuing proxy with a period of over five (5) years is not valid.
d) It is not allowed in meetings of the board of trustees.

762. X entered into a voting trust agreement with Y whereby the former transferred the legal title of all his shares of stock to the latter. Which of the following statements in relation to voting trust is correct?
a) X is qualified to run for a seat in the board of directors.
b) X has the right to collect the dividends.
c) X and Y have the right to inspect corporate books.
d) X and Y have the right to vote in the election of the board of directors.

763. Which of the following statements relative to subscriptions of stocks is true?
a) A subscription contract is for the acquisition or purchase of original shares but not of additional new shares resulting from a capital increase.
b) The Statute of Frauds is not applicable to subscription contracts.
c) A pre-incorporation subscription contract is irrevocable for a period of one (1) year from the date of the subscription.
d) A subscription contract cannot provide that the subscriber shall pay the shares subscribed out of the dividends that may be declared thereon until the subscription shall have been fully paid.

764. A stock option must be:
a) Granted at par value for a period of three (3) years from commencement of business.
b) Exercised within one (1) year from approval of the SEC
c) Both (a) and (b).
d) Neither (a) nor (b).

765. Which of the following statements relative to the transfer or issuance of stock is false?
a) Shares Of stock cannot be issued in exchange for promissory notes or future services.
b) Treasury shares may be sold for a reasonable price even if less than par or issued value.
c) Over-issued stocks (in excess of authorized capital stock) are null and void.
d) Shares of stock cannot be issued unless the subscription is fully paid.

766. One of the following statements relative to a certificate of stock is false:
a) It is a document that serves as evidence of ownership of the shares of stock.
b) It is a negotiable instrument as contemplated by the Negotiable Instruments Law.
c) In case a subsequent transfer of stock is not recorded in the stock and transfer book of the corporation and the certificate of stock is not surrendered to the corporation so that a new one will be issued in favor of the transferee, the said transfer will not bind the corporation and the creditors.
d) None of the foregoing.

767. X subscribed 1,000 shares, P100 par value, of STV Corporation. To date, he has paid P50,000 or half of his subscription. Which of the following statements is true?
a) X can unilaterally sell the unpaid 500 shares to a third party.
b) X can unilaterally sell the entire 1,000 shares to a third party.
c) X is entitled to a certificate of stock on the 500 shares already paid.
d) X is entitled to receive dividends and cast his vote equivalent to 1,000 shares.

768. Which of the following statements relative to "watered stock" is false?
a) It is issued for a consideration that is less than par or issued value.
b) It is void *per se.*
c) The director or officer having knowledge thereof and without raising any objection thereto is solidarily liable with the stockholder to the corporation and its creditors for the difference between the par or issued value and the consideration.
d) None of the foregoing.

769. One of the following statements does not characterize a delinquent stock:
a) A stock becomes delinquent when the subscription is not paid in full within the 30- day grace period or on the date of the "call" after due notice to the stockholders.
b) A "call" is not necessary where the subscription contract has provided for a definite date of payment.
c) A delinquent stock loses its right to receive dividends up to the time of delinquency sale.
d) Any cash dividend shall first be applied to the unpaid subscription before the balance thereof will be given to the stockholder but any stock dividend shall be withheld until full payment of the subscription.

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770. A delinquent stockholder is deprived of the:
a) Right to vote
b) Right to dividend
c) Both (a) and (b)
d) Neither (a) nor (b)

771. X subscribed for 1,000 shares of P500 par value common stock for P500,000. He was able to pay only P200,000 and so the 600 unpaid shares were declared delinquent. Accrued interest to date amounted to P21,000 and expenses for the public sale amounted to P4,000. The following bids were offered:
A - P325,000 for 800 shares
B - P325,000 for 600 shares
C - P250,000 for 600 shares
D - P200,000 for 400 shares
What is the consequence of the sale to the highest bidder?
a. D shall own 400 shares and X shall retain 600 shares.
b. A shall own 800 shares and X shall retain 200 shares.
c. B shall own 600 shares and the corporation shall own 400 shares.
d. B shall own 600 shares and X shall retain 400 shares.

772. X is a stockholder of TVW Corporation. He and other stockholders were recently denied of their pre-emptive right when the corporation increased its authorized capital stock and they were also prohibited to exercise the right to vote in the election of the board of directors. Which of the following actions may be filed by X against TVW Corporation?
a) Derivative suit for preemptive right and right to vote
b) Representative suit for pre-emptive right and right to vote
c) Representative suit for pre-emptive right, and individual suit for right to vote
d) Individual suit for preemptive right, and representative suit for right to vote.

773. One of the following books or record is not used by non-stock corporations:
a) Minutes book
b) Stock certificate book
c) Journal
d) Ledger

774. One of the following is not an attribute of merger or consolidation:
a) It needs the approval of the majority of the board of directors.
b) It requires the consent of the creditors of the subject corporations.
c) It becomes effective e the issuance of the certificate of merger or consolidation.
d) It requires the approval of at least 2/3 of voting and non-voting outstanding capital stock.

775. Appraisal right may not be exercised in one of the following cases:
a) Any amendment to the articles of incorporation that changes or restricts the right of any stockholder or class of shares.
b) Merger or consolidation
c) Investment of funds in another corporation or business for a purpose other than its primary purpose.
d) Expiration of corporate term.

776. One of the following is not an attribute of appraisal right:
a) A written demand for payment of the shares of the dissenting stockholder must be made within 30 days from the date he cast his negative vote.
b) The certificates of stock should be surrendered to the corporation within 10 days from the date of demand for payment.
c) The right may be exercised in cases of amendment in the articles of incorporation, transfer of all or substantially all of the corporate assets, merger or consolidation, and investment of funds in another corporation for a purpose other than it primary purpose.
d) The stockholder can no longer sell or transfer the shares after the certificates of stock have been annotated by the corporation as "dissenting shares."

777. Which of the following statements relative to appraisal right is false?
a) The fair value of the shares of stock as of the day prior to the date on which the vote was taken, inclusive of any appreciation or depreciation in anticipation of such action surrender thereof to the corporation.
b) The parties are given sixty(60) days from the date the proposed corporate action was voted upon to arrive at the fair value of the dissenting shares.
c) In the event they cannot agree on the said fair value, it shall determined by three (3) disinterested persons (one to be named by the stockholder, another by the corporation, and the third by the two thus chosen).
d) None of the foregoing.

778. The stockholder shall be liable for the costs and expenses of appraisal where:
a) The fair value ascertained by the appraisers is approximately the same as the price offered by the corporation to the stockholder who refused the same.
b) The refusal of the stockholder to accept payment is found to be unjustified in an action filed by the stockholder to recover such fair value.
c) Either (a) or (b)
d) Neither (a) nor (b).

779. One of the following is not an attribute of a close corporation:
a) Management of the corporation may be entrusted to the stockholders rather than to a board of directors.
b) The number of stockholders may exceed 20 where holders of treasury stock are also to be counted.
c) The stocks are not listed in any stock exchanged or offered to the public.
d) Restriction can be made prohibiting the transfer of stock to outsiders unless and until the corporation buys these stocks from the transferring stockholder

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780. One of the following is not an attribute of a close corporation:
   a) The officers or employees may be elected or appointed by the stockholders themselves rather that by the board of directors as may be provided in the articles of incorporation.
   b) The pre-emptive right of stockholders does not extend to treasury shares.
   c) The holders of each class of stock may elect the allocated number of directors coming from their own class as provided in the articles of incorporation.
   d) Any amendment to the articles of incorporation must be approved by at least 2/3 of the outstanding capital stock, with or without voting rights (mere assent is not sufficient)

781. One of the following is not an attribute of a close corporation:
   a) A stockholder may not, for any reason, withdraw from the corporation and demand that the corporation buy his shares at their fair value which shall not be less than the par or issued value thereof; provided, that the corporation has sufficient assets to cover its liabilities.
   b) Any stockholder may petition the SEC for the dissolution of the corporation by reason of illegal, fraudulent, dishonest, oppressive or unfair acts of directors Or officers, or misapplication of corporate assets.
   c) Notwithstanding the presence Of the foregoing characteristics of a close corporation, a corporation is deemed not a close corporation when at least 2/3 of its voting stock is owned or controlled by another corporation which is not a close corporation.
   d) A corporation vested with public interest cannot be organized as a close corporation.

782. The following entities may be organized as close corporations under the Corporation Code:
   a) Mining or oil companies
   b) Banks
   c) Both (a) and (b)
   d) Neither (a) nor (b)

783. Which of the following statements characterizes the pre-emptive right of a stockholder in a close corporation?
   a) It is absolute, , unless expressly curtailed in the articles of incorporation.
   b) The right can be exercised on voting and non-voting stocks, including treasury shares.
   c) Both (a) and (b).
   d) Neither (a) nor (b)

784. Which of the following acts may be done validly by an ordinary non-stock corporation?
   a) Distribute any part of its income as dividends.
   b) Use its incidental profit for any purpose other than the purpose to which it is organized.
   c) Both (a) and (b).
   d) Neither (a) nor (b)

785. One of the following statements is not a characteristic of an ordinary non-stock corporation:
   a) It does not distribute dividends to its members, although its membership may in some cases be expressed in terms of "shares of stock.
   b) It is prohibited to engage in business with the object of making profits, although it may earn income as an incident to its operation which must be used in the furtherance of its purpose.
   c) Each member is entitled to one vote which cannot be broadened or denied in the articles of incorporation or by-laws.
   d) Straight-voting shall be used in the election of the board of trustees, unless cumulative voting is expressly provided in the articles of incorporation or by-laws; One of the following statements is not a characteristic of an ordinary non-stock corporation: a. A member may vote by proxy which cannot be denied in the articles of incorporation or by-laws.

786. One of the following statements is not a characteristic of an ordinary non-stock corporation:
   a) A member may vote by proxy which cannot be denied in the articles of incorporation or by laws.
   b) Voting by mail or any other means shall only be allowed if authorized in the by-laws and approved by the SEC.
   c) Additional qualifications for voting members may be provided in the articles of incorporation or by-laws.
   d) Its membership is personal and non- transferable, unless otherwise provided in the articles of incorporation or by-laws.

787. One of the following statements is not a characteristic of an ordinary non-stock corporation:
   a) Membership may be terminated in the manner and for the causes provided in the articles of incorporation and by-laws;
   b) The board of trustees must be composed of its members; provided, that the representatives of corporate members may be nominated and elected in the board of trustees as may be provided in the articles of incorporation or by-laws;
   c) The number of incorporating trustees must not be less than five (5) nor more than fifteen (15), but the board of trustees may later on be composed of more than the maximum number as may be provided in the articles of incorporation or by-laws;
   d) The term of office of the trustees shall be five (5) years, with one-fifth (1/5) of their number to expire each year

788. Which of the following statements relatiy, to an educational corporation is false?
   a) It may be a stock or non-stock corporation,
   b) It is similar corporation purposes. to an ordinary organized for non-stock educational
   c) A family administered pre-school institution need not be incorporated.
   d) The approval of the SEC is necessary to its incorporation.

789. Which of the following statements relative to a religious corporation is false?
   a) It is different from an ordinary non-stock corporation organized for educational purposes.
   b) The Roman Catholic Church has the juridical personality of a corporation even if not registered.
   c) A religious group, sect or denomination is not required by law to incorporate as a religious corporation.
   d) The approval of the SEC is necessary for its incorporation.

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790. Which of the following is not a means for a corporation to voluntarily dissolve itself?
a) Majority vote of the board of directors/ trustees and at least 2/3 vote of outstanding capital stock/member
b) Bankruptcy
c) Filing of a petition for dissolution before the SEC
d) Amendment of articles of incorporation to shorten corporate term

791. Which of the following is not a means for a corporation to involuntarily dissolve itself?
a) Legislative revocation of franchise
b) Judicial decree
c) Order of SEC
d) Expiration of corporate term

792. Which of the following statements relative to the dissolution of corporations is false?
a) Liquidation involves the sale or conversion of all corporate assets into cash and payment of all liabilities.
b) Winding up involves the final distribution of whatever remains, if any, to the stockholders as a return of their investment.
c) A corporation has only a period of five (5) years from the time it was dissolved within which to liquidate its affairs.
d) Corporate creditors who do not belong to the corporation shall be preferred in payment than corporate creditors who are also stockholders, members, directors, trustees or officers of the corporation.

793. VWX-USA is a foreign corporation that entered into a contract with XYZ-Phil., a domestic corporation. After several transactions were made, XYZ-Phil. ceased to honor its contract with VWX-USA. However, VWX-USA failed to secure any license to do business in the Phil.
Which of the following statements is a correct?
a) VWX-USA can sue XYZ-Phil. before the Philippine courts.
b) XYZ-Phil. cannot sue VWX-USA before the Philippine courts.
c) The contract between VWX-USA and XYZ- Phil. is null and void.
d) VWX-USA can secure the requisite license even after the breach and then sue XYZ- Phil.

794. Which of the following activities of foreign corporations were held by the Court as "doing business in the Philippines?"
a) A foreign corporation that is engaged in the manufacture of uniforms purchased soccer jerseys from the Philippines.
b) A foreign corporation sold construction equipment in an isolated transaction.
c) A foreign insurance company issued a policy to the consignee of exported steel pipes.
d) A foreign subsidiary assumed the payment of the loan by a foreign corporation doing business in the Philippines, and the subsequent acquisition by the former of the latter.

795. Which of the following activities of foreign corporations were held by the Court as "not doing business in the Philippines?"
a) A foreign shipping company loaded cargoes in the Philippines once a year for two consecutive years.
b) A foreign corporation that manufactures cars appointed a Philippine distributor who merely transmits to it orders from buyers, the former fixing the price and the down payment, receiving payment directly from buyers, and shipping the cars directly to the buyers.
c) A foreign corporation licensed a domestic corporation to manufacture its products.
d) A foreign corporation appointed an exclusive distributor of its products in the Philippines, registered its trade name, and sent an officer to conduct a training program four times.

796. Which of the following is uncharacteristic of rehabilitation proceedings on corporations, partnerships and associations under the Rules of Procedure on Corporate Rehabilitation?
a) Proceedings are in rem.
b) Jurisdiction is acquired upon commencement of the proceedings.
c) Proceedings are non-adversarial.
d) Proceedings are summary in nature.

797. Which of the following pleadings or motions is permitted in corporate rehabilitation proceedings?
a) Motion to dismiss
b) Intervention
c) Third-party complaint
d) None of the foregoing

798. One of the following is an improper venue for filing the petition for rehabilitation:
a) RTC which has jurisdiction over the principal office of the debtor as specified in the articles of incorporation or partnership.
b) RTC of the city or municipality where the head office is located if the principal office is registered with the SEC as Metro Manila.
c) RTC which has jurisdiction over the principal office of any of the member companies in case of a joint petition filed by a group of companies.
d) None of the foregoing.

799. Which of the following is a characteristic of a "stay order?"
a) The enforcement of claims against the debtor's guarantors and persons jointly liable with the debtor is also stayed.
b) The debtor cannot dispose his properties in the ordinary course of business.
c) The suppliers may discontinue supplying goods or services to the debtor even if they are being paid after the issuance of the stay order.
d) None of the foregoing.

800. Which of the following claims is covered by the "stay order?"
a) Claims against letters of credit
b) Claims against trust receipts
c) Foreclosure by the creditor of property belonging to the debtor under corporate rehabilitation
d) None of the foregoing

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801. Which of the following liabilities is prohibited from being paid by the debtor during its rehabilitation?
   a) Payment to suppliers for goods or services supplied after issuance of the stay order.
   b) Payment in full of the fees of the Rehabilitation Receiver and all of the persons employed by him.
   c) Payment of new loans obtained for the rehabilitation of the debtor with prior court approval.
   d) Payment of secured loan where security is about to be foreclosed.

802. The stay order may not be terminated or modified, or the creditor's claim relieved from its coverage where:
   a) Any allegation in the petition, its attachments or verification has ceased to be true.
   b) A creditor does not have adequate protection over the property securing its claim.
   c) The debtor's secured obligation is less than the fair market value of the property subject of the stay order.
   d) The property covered by the stay order is not essential or necessary to the rehabilitation and the creditor's failure to enforce its claim will cause more damage to the creditor than to the debtor.

803. Which of the following circumstances will qualify a person to be appointed as a Rehabilitation Receiver?
   a) He is a creditor of the debtor.
   b) He is engaged in a business that competes with the debtor.
   c) He was employed as the debtor's accountant until his resignation three (3) years prior to the filing of the petition for rehabilitation.
   d) None of the foregoing.

804. One of the following is not a legal consequence of the approval rehabilitation plan by the court:
   a) The plan and its provisions shall be binding upon the debtor and all persons who may be affected thereby, excluding the creditors who have not participated in the proceedings, or opposed the plan, or their claims have not been scheduled.
   b) The debtor shall comply with the provisions of the plan and shall take all actions necessary to carry out the plan.
   c) Contracts and other arrangements between the debtor and its creditors shall be interpreted as continuing to apply to the extent that they do not conflict with the provisions of the plan.
   d) Any compromises on amounts or rescheduling of timing of payments by the debtor shall be binding on creditors regardless of whether or not the plan is successfully implemented.

805. Which of the following is a characteristic of a pre-negotiated rehabilitation?
   a) It must be filed jointly by the debtor and any of its creditors.
   b) It requires the approval of the creditors holding at least 3/4 of the total liabilities of the debtor.
   c) It requires the approval of the secured creditors and unsecured creditors holding at least 50% of the total secured claims and total unsecured claims, respectively.
   d) None of the foregoing.

806. The term "securities" does not include:
   a) Shares of stock
   b) Voting trust certificates
   c) Lease contracts
   d) Bonds

807. Which of the following statements is false?
   a) A "broker" is a person who is engaged in the buying and selling of securities for the account of others.
   b) A "dealer" is a person who is casually engaged in the buying and selling of securities for his own account.
   c) An "associated person of a broker or dealer" does not include the employees of the broker or dealer whose functions are solely clerical or ministerial.
   d) An "associated person of a broker or dealer" does not include his salesmen performing non-discretionary functions.

808. Which of the following statements relative to the Commissioners of the Securities and Exchange Commission (SEC) is false?
   a) They are appointed by the President of the Philippines to serve a 7-year term each.
   b) They must all be natural-born citizens of the Philippines.
   c) At least three (3) of the Commissioners must be members of the Philippine Bar.
   d) None of the foregoing.

809. Which of the following cases falls under the jurisdiction of the SEC?
   a) Petition for insolvency where the corporation, partnership or association has no sufficient assets to cover its liabilities.
   b) Petition for suspension of payments where the corporation, partnership or association having sufficient assets to cover its liabilities foresees the impossibility of meeting them as they fall due.
   c) Intra-corporate or partnership controversies.
   d) None of the foregoing.

810. One of the following securities must be registered with the SEC:
   a) Securities issued or guaranteed by the Philippine government
   b) Certificates issued by a trustee in bankruptcy duly approved by the proper adjudicatory body
   c) Bank's own shares of stock
   d) None of the foregoing

811. The sale of securities requires SEC registration where the qualified buyer is a;
   a) Bank
   b) Investment company
   c) Insurance company
   d) None of the foregoing

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812. Which of the following statements is false?
   a) A"pre-need plan" includes life, pension, education, and interment plans.
   b) All "commodity future contracts" are gambling and against public policy.
   c) A "tender offer" is an offer to acquire at least 15% of any class of any equity security of a listed corporation by filing a declaration to that effect with the SEC.
   d) None of the foregoing

813. An "insider trading" is unlawful where:
   a) The insider communicates material nonpublic information about the issuer or the security to any person, knowing or believing that such person will buy or sell the security of the issuer by reason of the information.
   b) The insider proves that the information was not gained from his relationship with the issuer of the securities.
   c) The insider has reason to believe that the other party who is identified is also in possession of the information.
   d) The insider shows that the information is not material non-public information

814. Which of the following persons is exempted from registration with the SEC before he engages in the business of buying and selling of securities in the Philippines?
   a) Brokers and dealers
   b) Associated persons of broker or dealer
   c) Salesmen of broker or dealer
   d) None of the foregoing

815. X borrowed the certificates of stock of Y to be used as security for a loan. Thereafter, the market price of the shares zoomed up and X sold the said shares in the trading market. X returned the amount equivalent to the par value of the shares to Y and pocketed the profit he made from the sale. This transaction is what is known as:
   a) Wash sale
   b) Short sale
   c) Insider trading
   d) None of the foregoing

816. X connived with several brokers to engage among themselves in the buying and selling of his securities in order to create a false appearance of active trading with respect to his securities at the stock exchange. This transaction is what is known as:
   a) Wash sale
   b) Short sale
   c) Insider trading
   d) None of the foregoing

817. An "Exchange" is an organized marketplace or facility that brings together buyers and sellers and executes trades of securities and/or commodities. Which of the following is uncharacteristic of an "Exchange?"
   a) It may be incorporated as a stock or non- stock entity.
   b) It must be engaged solely in the business of operating an exchange, unless exempted under the rules and regulations adopted by the SEC.
   c) The brokers in the board of the Exchange shall comprise of not more than 49% of such board.
   d) None of the foregoing.

(818) ABC Corp. increased its capital stocks from Php10 Million to Php15 Million and, in the process, issued 1,000 new shares divided into Common Shares "B" and Common Shares "C." T, a stockholder owning 500 shares, insists on buying the newly issued shares through a right of pre-emption. The company claims, however, that its By-laws deny T any right of pre-emption. Is the corporation correct?
   (A) No, since the By-Laws cannot deny a shareholder his right of pre-emption.
   (B) Yes, but the denial of his pre-emptive right extends only to 500 shares.
   (C) Yes, since the denial of the right under the By-laws is binding on T.
   (D) No, since pre-emptive rights are governed by the articles of incorporation.

(819) X Corp. operates a call center that received orders for pizzas on behalf of Y Corp. which operates a chain of pizza restaurants. The two companies have the same set of corporate officers. After 2 years, X Corp. dismissed its call agents for no apparent reason. The agents filed a collective suit for illegal dismissal against both X Corp. and Y Corp. based on the doctrine of piercing the veil of corporate fiction. The latter set up the defense that the agents are in the employ of X Corp. which is a separate juridical entity. Is this defense appropriate?
   (A) No, since the doctrine would apply, the two companies having the same set of corporate officers.
   (B) No, the real employer is Y Corp., the pizza company, with X Corp. serving as an arm for receiving its outside orders for pizzas.
   (C) Yes, it is not shown that one company completely dominates the finances, policies, and business practices of the other.
   (D) Yes, since the two companies perform two distinct businesses.

(820) It is settled that neither par value nor book value is an accurate indicator of the fair value of a share of stock of a corporation. As to unpaid subscriptions to its shares of stock, as they are regarded as corporate assets, they should be included in the
   (A) capital value.
   (B) book value.
   (C) par value.
   (D) market value.

(821) In elections for the Board of Trustees of non-stock corporations, members may cast as many votes as there are trustees to be elected but may not cast more than one vote for one candidate. This is true -
   (A) unless set aside by the members in plenary session.
   (B) in every case even if the Board of Trustees resolves otherwise.
   (C) unless otherwise provided in the Articles of Incorporation or in the By-laws.
   (D) in every case even if the majority of the members decide otherwise during the elections.

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(822) The rule is that the valuation of the shares of a stockholder who exercises his appraisal rights is determined as of the day prior to the date on which the vote was taken. This is true -

(A) regardless of any depreciation or appreciation in the share's fair value.
(B) regardless of any appreciation in the share's fair value.
(C) regardless of any depreciation in the share's fair value.
(D) only if there is no appreciation or depreciation in the share's fair value.

(823) EFG Foundation, Inc., a non-profit organization, scheduled an election for its six-member Board of Trustees. X, Y and Z, who are minority members of the foundation, wish to exercise cumulative voting in order to protect their interest, although the Foundation's Articles and By-laws are silent on the matter. As to each of the three, what is the maximum number of votes that he/she can cast?

(A) 6
(B) 9
(C) 12
(D) 3

(824) T Corp. has a corporate term of 20 years under its Articles of Incorporation or from June 1, 1980 to June 1, 2000. On June 1, 1991 it amended its Articles of Incorporation to extend its life by 15 years from June 1, 1980 to June 1, 2015. The SEC approved this amendment. On June 1, 2011, however, T Corp decided to shorten its term by 1 year or until June 1, 2014. Both the 1991 and 2011 amendments were approved by majority vote of its Board of Directors and ratified in a special meeting by its stockholders representing at least 2/3 of its outstanding capital stock. The SEC, however, disapproved the 2011 amendment on the ground that it cannot be made earlier than 5 years prior to the expiration date of the corporate term, which is June 1, 2014. Is this SEC disapproval correct?

(A) No, since the 5-year rule on amendment of corporate term applies only to extension, not to shortening, of term.
(B) Yes, any amendment affecting corporate term cannot be made earlier than 5 years prior to the corporation's expiration date.
(C) No, since a corporation can in fact have a corporate life of 50 years.
(D) Yes, the amendment to shorten corporate term cannot be made earlier than 5 years prior to the corporation's expiration date.

(825)X is a director in T Corp. who was elected to a 1-year term on Feb. 1, 2010. On April 11, 2010, X resigned and was replaced by R, who assumed as director on May 17, 2010. On Nov. 21, 2010, R died. S was then elected in his place. Until which time should S serve as director?

(A) April 11, 2011.
(B) Feb. 1, 2011.
(C) May 17, 2011.
(D) Nov. 21, 2011.

(826) X Corp., whose business purpose is to manufacture and sell vehicles, invested its funds in Y Corp., an investment firm, through a resolution of its Board of Directors. The investment grew tremendously on account of Y Corp.'s excellent business judgment. But a minority stockholder in X Corp. assails the investment as ultra vires. Is he right and, if so, what is the status of the investment?

(A) Yes, it is an ultra vires act of the corporation itself but voidable only, subject to stockholders' ratification.
(B) Yes, it is an ultra vires act of its Board of Directors and thus void.
(C) Yes, it is an ultra vires act of its Board of Directors but voidable only, subject to stockholders' ratification.
(D) Yes, it is an ultra vires act of the corporation itself and, consequently, void.

(827) The Corporation Code sanctions a contract between two or more corporations which have interlocking directors, provided there is no fraud that attends it and it is fair and reasonable under the circumstances. The interest of an interlocking director in one corporation may be either substantial or nominal. It is nominal if his interest:

(A) does not exceed 25% of the outstanding capital stock.
(B) exceeds 25% of the outstanding capital stock.
(C) exceeds 20% of the outstanding capital stock.
(D) does not exceed 20% of the outstanding capital stock.

(828) The rule is that no stock dividend shall be issued without the approval of stockholders representing at least 2/3 of the outstanding capital stock at a regular or special meeting called for the purpose. As to other forms of dividends:

(A) a mere majority of the entire Board of Directors applies.
(B) a mere majority of the quorum of the Board of Directors applies.
(C) a mere majority of the votes of stockholders representing the outstanding capital stock applies.
(D) the same rule of 2/3 votes applies.

(829) Several American doctors wanted to set up a group clinic in the Philippines so they could render modern medical services. If the clinic is to be incorporated under our laws, what is the required foreign equity participation in such a corporation?

(A) 40%
(B) 0%
(C) 60%
(D) 70%

(830) The Board of Directors of XYZ Corp. unanimously passed a Resolution approving the taking of steps that in reality amounted to willful tax evasion. On discovering this, the government filed tax evasion charges against all the company's members of the board of directors. The directors invoked the defense that they have no personal liability, being mere directors of a fictional being. Are they correct?

(A) No, since as a rule only natural persons like the members of the board of directors can commit corporate crimes.
(B) Yes, since it is the corporation that did not pay the tax and it has a personality distinct from its directors.
(C) Yes, since the directors officially and collectively performed acts that are imputable only to the corporation.
(D) No, since the law makes directors of the corporation solidarily liable for gross negligence and bad faith in the discharge of their duties.

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(831) In a special meeting called for the purpose, 2/3 of the stockholders representing the outstanding capital stock in X. Co. authorized the company's Board of Directors to amend its By-laws. By majority vote, the Board then approved the amendment. Is this amendment valid?

(A) No since the stockholders cannot delegate their right to amend the By-laws to the Board.
(B) Yes since the majority votes in the Board was sufficient to amend the By-laws.
(C) No, because the voting in the Board should have been by majority of a quorum.
(D) Yes since the votes of 2/3 of the stockholders and majority of the Board were secured.

(832) A law was passed disqualifying former members of Congress from sitting in the Board of Directors of government-owned or controlled corporations. Because of this, the Board of Directors of ABC Corp., a government-owned and controlled corporation, disqualified C, a former Congressman, from continuing to sit as one of its members. C objected, however, insisting that under the Corporation Code members of the board of directors of corporations may only be removed by vote of stockholders holding 2/3 of its outstanding capital stock in a regular or special meeting called for that purpose. Is C correct?

(A) Yes, since the new law cannot be applied to members of the board of directors already elected prior to its passage.
(B) No, since the disqualification takes effect by operation of law, it is sufficient that he was declared no longer a member of the board.
(C) Yes, since the provisions of the Corporation Code applies as well to government-owned and controlled corporations.
(D) No, since the board has the power to oust him even without the new law.

(833) The Articles of Incorporation of ABC Transport Co., a public utility, provides for ten (10) members in its Board of Directors. What is the prescribed minimum number of Filipino citizens in its Board?

(A) 10
(B) 6
(C) 7
(D) 5

(834) The corporate term of a stock corporation is that which is stated in its Articles of Incorporation. It may be extended or shortened by an amendment of the Articles when approved by majority of its Board of Directors and:

(A) approved and ratified by at least 2/3 of all stockholders.
(B) approved by at least 2/3 of the stockholders representing the outstanding capital stock.
(C) ratified by at least 2/3 of all stockholders.
(D) ratified by at least 2/3 of the stockholders representing the outstanding capital stock.

835. The Articles of Incorporation of AAA Corporation was approved by the Securities and Exchange Commission (SEC). After the receipt of the Certificate of Approval from the SEC, AAA Corporation decided to immediately start the operation of its business despite the fact that it has no approved By-Laws. What is the legal status of the AAA Corporation?
    a. A de jure corporation;
    b. A de facto corporation;
    c. A corporation by estoppel;
    d. An unregistered corporation.

836. X, the President of ZZZ Corporation, was authorized by the Board of Directors of ZZZ Corporation to obtain a loan from YYY Bank and to sign documents in behalf of the corporation. X personally negotiated for the loan and got tile loan at very low interest rates. Upon maturity of the loan, ZZZ Corporation was unable to pay. Which statement is most accurate?
    a. Because X was personally acting in behalf of the Corporation, he can be held personally liable.
    b. X, as President, cannot be personally held liable for the obligation of the corporation even though he signed all the loan documents, because the loan was authorized by the Board.
    c. YYY Bank can choose as to who it wants to hold liable for the loan.
    d. If ZZZ Corporation cannot pay, X can be held subsidiarity liable.

837. X owns 99% of the capital stock of SSS Corporation. X also owns 99% of TTT Corporation. SSS Corporation obtained a loan from VW Bank. On due date, SSS Corporation defaulted. TTT Corporation is financiallyhealthy. Which statement is most accurate?
    a. X being a controlling owner of SSS Corporation can automatically be held personally liable for the loan of SSS Corporation.
    b. TTT Corporation, owned 99% by X, can automatically be held liable.
    c. SSS Corporation and TTT Corporation, although both are owned by X, are two (2) distinct corporations with separate juridical personalities hence, the TTT Corporation cannot automatically be held liable for the loan of SSS Corporation.
    d. The principle of piercing the veil of corporate fiction can be applied in this case.

838. A corporation generally can issue both par value stock and no par value stock. These are all fixed in the Articles of Incorporation of the corporation. Which of the following corporations may not be allowed to issue no par value shares?
    a. Insurance companies;
    b. Banks;
    c. Trust companies;
    d. All of the above.

839. Father X, an American priest who came from New York, registered the Diocese of Bacolod of the Roman Catholic Church which was incorporated as a corporation sole. There were years when the head of the Diocese was a Filipino, but there were more years when the heads were foreigners. Today, the head is an American again. Y donated a piece of land located in Bacolod City for use as a school. Which statement is most accurate?
    a. The Register of Deeds of Bacolod City can refuse to register and transfer the title because the present head of the corporation sole is not a Filipino.
    b. The nationality of a corporation sole depends upon the nationality of the head at any given time.
    c. A corporation sole, regardless of the nationality of the head, can acquire real property either by sale or donation.
    d. A corporation sole is not legally allowed to own real property.

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840. The number of the Board of Trustees of a non-stock, non-profit educational institution should be ---
    a. five (5) only
    b. any number for as long as it is not less than five (5) and no more than eleven (11)
    c. any number in multiples of five (5), for as long as it is not less than five (5) and no more than fifteen (15).
    d. not less than five (5) nor more than ten (1 0) in multiples of five (5).

841. X subscribed 10,000 shares in the capital stocks of AAA Corporation. He paid 50% of the 10,000 shares. X asked the Corporate Secretary to issue him the corresponding stock certificate representing the 50% of what he already paid. The Corporate Secretary of the corporation refused. Was the Corporate Secretary correct?
    a. The Corporate Secretary is correct because the Corporation Code provides that no certificate of stock shall be issued to a subscriber until the shares as subscribed have been fully paid.
    b. The Corporate Secretary cannot refuse because a Stock Certificate can be issued corresponding to the percentage of shares which were paid.
    c. The Corporate Secretary cannot refuse because a Certificate of Stock can be issued provided it is indicated in the Certificate the actual percentage of what has been paid.
    d. The Corporate Secretary cannot refuse because it is his legal duty to issue a stock certificate corresponding to the number of shares actually subscribed regardless of the actual payment.

842. XXX Corporation and YYY Corporation have agreed to be merged into one corporation. To facilitate the merger, both corporations agreed that the merger be made effective on May 31,2012. The Securities and Exchange Commission (SEC) approved the Articles of Merger on June 30, 2012. Which statement is most accurate?
    a. The effective date of the merger is May 31, 2012, the date stipulated by the parties as the effective date.
    b. The effective date of the merger is always the date of the approval of the Articles of Merger by the SEC.
    c. The effective date of the merger would be the date approved by the Board of Directors and the stockholders.
    d. The stockholders and the Board of Directors can set the effective date of the merger anytime after the approval of the SEC.

843. AAA Corporation is a wholly owned subsidiary of BBB Corporation. To support the business of AAA Corporation, BBB Corporation agreed to give its corporate guarantee to the loan of AAA Corporation. What is required so that the corporate guarantee will be valid?
    a. It only requires the approval of the Board of Directors of BBB Corporation.
    b. The Articles of Incorporation must provide such power and be approved by the Board of Directors.
    c. Providing corporate guarantee to another corporation is a necessary exercise of power of a corporation.
    d. It would require both the approval of the Board of Directors and the stockholders on record.

844. The capital stock of ABC Corporation is divided into common shares and preferred shares. Preferred shares are preferred as to dividends and common shares are those shares which have the regular and ordinary attributes of a share of a corporation. Which statement is most accurate?
    a. This kind of classification may not be allowed or else it will violate the Doctrine of Equality of shares.
    b. Classifications of shares may be allowed for as long as it is clearly stated as such in the Articles of Incorporation of the Corporation.
    c. Classifications of shares is mainly for business purpose to attract investors.
    d. Classifications of shares may be allowed with the approval of the stockholders and the Board of Directors.

845. ABC Corporation declared stock dividends to its stockholders. The stock dividends were approved by the Board of Directors of ABC Corporation. In the subsequent year however, the Board again approved the redemption of all stock dividends and to pay the shareholdings in cash. Which statement is most accurate?
    a. The redemption of the stock dividends can be validly approved by the Board without any conditions.
    b. The redemption of stock dividends may only be allowed if there are sufficient earnings and should not be violative of the trust fund doctrine.
    c. The redemption of the shares may be taken from the existing property and other assets of the corporation.
    d. None of the above.

846. X sold all his shares in AAA Hotel Corporation to Y. X owns 99% of AAA Hotel Corporation. As the new owner, Y wanted a reorganization of the hotel which is to include primarily the separation of all existing employees and the hiring of new employees. Which statement is most accurate?
    a. With the change in ownership, in effect there is a new juridical entity and therefore all employees are considered separated.
    b. Despite the change in shareholder, there is actually no change in the juridical entity and therefore existing employees can not automatically be considered separated.
    c. Y, as the new shareholder, has the right to retain only those employees who in his judgment are qualified.
    d. For as long as the existing employees are given their separation pay, they can be terminated.

847. South China Airlines is a foreign airline company. South China Airlines tickets are sold in the Philippines though Philippine Airlines as their general agent. South China Airlines is not registered to do business as such with the Philippine Securities and Exchange Commission. Which statement is most accurate?
    a. Although unlicensed to do business in the Philippines, South China Airlines can sue before the Philippine Courts and can also be sued.
    b. South China Airlines can sue but cannot be sued.
    c. South China Airlines cannot sue and cannot be sued also.
    d. South China Airlines can be sued in Philippine Courts but cannot sue.

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848. So that ABC Corporation could venture into more projects, it needed to raise funds by issuing new shares to increase its capitalization. X, Y, Z, J and G are the five existing shareholders of the company. They hold 20% each. How will the additional shares be divided among the existing shareholders?
    a. The existing shareholders can subscribe to the new shares equivalent to their existing shareholdings because the Corporation Code provides that each of the existing stockholders will have preemptive rights to the extent of their existing shareholdings.
    b. The existing shareholders' preemptive rights is equivalent to the percentage that they want.
    c. Each of the existing shareholder can exercise their right of first refusal against each other.
    d. Preemptive rights and right of first refusal are one and the same.

849. If ABC Corporation will increase its authorized capital stock, the Corporation Code requires -
    a. the approval of the majority of the Board of Directors only.
    b. the approval of the majority of the stockholders and the Board of Directors.
    c. the approval of 2/3 of the shareholders of the outstanding capital stock as well as the approval of the Securities and Exchange Commission.
    d. the approval of the majority of the Board of Directors and approval of the shareholders holding 2/3 share of the outstanding capital stock.

850. X is a minority stockholder of CCC Corporation. Y is a member of the Board of Directors of CCC Corporation and at the same time he is the President. X believes that Y is mismanaging CCC Corporation hence, as a stockholder and in behalf of the other stockholders, he wanted to sue Y. Which statement is most accurate?
    a. X can institute a derivative suit in behalf of himself as a stockholder.
    b. A derivative suit must be instituted in behalf of the corporation.
    c. Derivative suit is an exclusive remedy that X can institute.
    d. Derivative suit is not the remedy in this situation.

851. The term GGG Corporation in accordance with its Articles of Incorporation ended last January 30, 2012. The term was not extended. What will happen to the corporation?
    a. The corporation is dissolved ipso facto.
    b. There is a need to pass a board resolution to formally dissolve the corporation.
    c. The Board of Directors must pass a resolution for the corporation to formally go into liquidation.
    d. The stockholders must pass a resolution to dissolve the corporation.

852. The term of one (1) year of the Board of Directors of AAA Corporation expired last February 15, 2012. No new election of the Board of Directors was called, hence, the existing members of Board continue as Directors in hold over capacity. Which statement is most accurate?
    a. This is allowed provided there is a valid and justifiable reason for not calling for an election of the new members of the Board.
    b. This is not allowed because the term of the directors must only be for one (1) year.
    c. The positions of the members of the Board of Directors will be automatically declared vacant.
    d. Acting as members of the Board of Directors in a hold over capacity must be ratified by the stockholders.

853. AAA Corporation is a foreign corporation that wants to operate a representative office here in the Philippines. As required by the Corporation Code, there is a need to appoint a Resident Agent as a condition precedent to the issuance of a license to transact business in the Philippines. After two (2) years, AAA Corporation removed its Resident Agent and did not appoint anyone anymore. Which statement is the most accurate?
    a. This can be a ground for revocation or suspension of its license to do business.
    b. There is no more effect in the license because anyway at the time of registration, a resident agent was appointed.
    c. This can be a ground for suspension only.
    d. This will result in automatic revocation of its license to do business in the Philippines.

854. The By-laws of ABC Corporation is silent as to when a stockholder can be qualified to attend the meeting of the stockholders. The Corporate Secretary sent out the notice of the stockholders meeting two (2) days before the meeting and at that time X was not yet a stockholder. On the day of the meeting, however, X became a shareholder which was duly recorded in the stock and transfer book. Which statement is most accurate?
    a. X is a stockholder of ABC Corporation as of the time of meeting of the stockholders for the purpose of electing the members of the board.
    b. X is not qualified to elect members of the board because at the time the notice of the meeting was sent, she was not yet a stockholder.
    c. Qualifications as to who are considered as stockholders on record for purposes of being able to elect members of the board are to be determined by the By-laws alone.
    d. None of the above.

-For the Glory of God-