

**J.K. SHAH<sup>®</sup>**

**TEST  
SERIES**



**SUGGESTED SOLUTION**

**CA INTERMEDIATE**

**SUBJECT- CORPORATE & OTHER LAW**

**Test Code – IMP 2412**

**BRANCH - () (Date :)**

**Head Office : Shraddha, 3<sup>rd</sup> Floor, Near Chinai College, Andheri (E), Mumbai – 69.**

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**MULTIPLE CHOICE QUESTIONS :**

No.	ANSWER		
1.	(1) C	Register of members can be kept at Nainital liaison office, after passing a special resolution, because more than 1/10 thof the total members entered in the register of members reside there	2 M
	(2) B	The charge can be registered, if registrar permits with payment of ad-valorem fees.	2 M
	(3) D	Not a deposit, because the necessary written declaration is provided by Mr. Mohit in respect of such loan advanced to SCCL.	2 M
	(4) B	Notice served by DBSL is not valid, because notice given within a shorter duration has to be consented to, by at-least 95% of members entitled to vote there at.	2 M
1	D	The offender shall be liable to be prosecuted and punished under that either or any of those enactments, but shall not be punished twice for the same offence	1 M
2	A	Rule of Literal Construction	1 M
3	C	Can amend the article agreed by all the members	1 M
4	B	1st May, 16th May, and 12% respectively	1 M
5	A	it receives the assent of the President	1 M
6	A	Radix Healthcare Ltd. is not a foreign company as it has no place of business established in India.	1 M
7	C	3 months	1 M
8	D	All of the above	1 M
9	B	Notwithstanding anything contained	1 M
10	B	Doctrine of Noscitur a Sociis	1 M
11	D	Two terms of 5 consecutive years	1 M
12	C	Of 75% in value of such preference shares and the approval of Tribunal	1 M
13	D	One Person Company	1 M
14	B	the place where the registered office of the company is situated	1 M
15	C	90 days	1 M
16	A	Registrar	1 M
17	B	Proxy received 48 hours before the meeting.	1 M
18	B	Ankit Handicrafts Ltd. is a public company hence, the provisions of the Companies Act, 2013 are not applicable on this company.	1 M
19	D	Latest by 30 <sup>th</sup> April 2021	1 M
20	D	12% P.A.	1 M
21	C	Company can use leather to manufacture leather goods without seeking any permission from the lender	1 M
22	B	Ranjeet can appoint his friend Sunil as nominee in his OPC	1 M

## PART – II

### ANSWER : 1(A)

Section 83 of the Companies Act 2013 empowers the Registrar to make entries with respect to the satisfaction and release of charges even if no intimation has been received by him from the company. Accordingly, with respect to any registered charge if an evidence is shown to the satisfaction of Registrar that the debt secured by charge has been paid or satisfied in whole or in part or that the part of the property or undertaking charged has been released from the charge or has ceased to form part of the company's property or undertaking, then he may enter in the register of charges a memorandum of satisfaction that:

- The debt has been satisfied in whole or in part; or
  - The part of the property or undertaking has been released from the charge or has ceased to form part of the company's property or undertaking.
- (i) Therefore, Santosh may approach to the Registrar and show evidence to his satisfaction that the charge has been duly settled and satisfied and request the Registrar to enter a memorandum of satisfaction noting the release of charge.
- (ii) The aforesaid power can be exercised by the Registrar despite the fact that no intimation has been received by him from the company.

According to Section 82 (4), Section 82 shall not be deemed to affect the powers of the Registrar to make an entry in the register of charges under section 83 otherwise than on receipt of an intimation from the company i.e. even if no intimation is received by him from the company.

Information to affected parties: The Registrar shall inform the affected parties within 30 days of making the entry in the register of charges.

Issue of Certificate: As per rule 8 (2), in case the Registrar enters a memorandum of satisfaction of charge in full, he shall issue a certificate of registration of satisfaction of charge in Form No. CHG-5.

**(6 MARKS)**

### ANSWER : 1(B)

- (I) Section 141 (3) (c) of the Companies Act, 2013 prescribes that any person who is a partner or in employment of an officer or employee of the company will be disqualified to act as an auditor of a company. Sub-section (4) of Section 141 provides that an auditor who becomes subject, after his appointment, to any of the disqualifications specified in sub-sections (3) of Section 141, shall be deemed to have vacated his office as an auditor.

In the present case Mr. Raman, an auditor of Surya Distributors Ltd. joined as partner with consultancy firm where Mr. Som is also a partner and Mr. Som is also the finance executive of Surya Distributors Ltd. Hence, Mr. Raman has attracted clause 3 (c) of section 141 and therefore, he shall be deemed to have vacated office of the auditor of Surya Distributors Ltd.

**(3 MARKS)**

(II) According to section 76A of the Act, in case a company accepts or invites or allows any other person to accept or invite on its behalf any deposit in contravention of the manner or the conditions prescribed under section 73 or section 76 or rules made thereunder or if a company fails to repay the deposit or part thereof or any interest within the time specified under section 73 or section 76 or rules made thereunder or such further time as may be allowed by the Tribunal under section 73, then the following consequences will follow:

(a) Punishment for the company: The company shall, in addition to the payment of the amount of deposit or part thereof and the interest due, be punishable with fine which shall not be less than one crore rupees or twice the amount of deposit accepted by the company, whichever is lower but which may extend to ten crore rupees; and

(b) Punishment for officer-in-default: Every officer of the company who is in default shall be punishable with imprisonment which may extend to seven years and with fine which shall not be less than twenty-five lakh rupees but which may extend to two crore rupees.

Further, if it is proved that the officer of the company who is in default, has contravened such provisions knowingly or wilfully with the intention to deceive the company or its shareholders or depositors or creditors or tax authorities, he shall be liable for action under section 447 (Punishment for fraud)

**(3 MARKS)**

**ANSWER : 1(C)**

Foreign Company [Section 2(42) of the Companies Act, 2013]: “Foreign company” means any company or body corporate incorporated outside India which-

(a) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and

(b) conducts any business activity in India in any other manner.

According to Rule 2 (c) of the Companies (Registration of Foreign Companies) Rules, 2014, “electronic mode” means carrying out electronically based, whether main server is installed in India or not, including, but not limited to -

(a) business to business and business to consumer transactions, data interchange and other digital supply transactions;

(b) offering to accept deposits or inviting deposits or accepting deposits or subscriptions in securities, in India or from citizens of India;

(c) financial settlements, web based marketing, advisory and transactional services, database services and products, supply chain management;

(d) online services such as telemarketing, telecommuting, telemedicine, education and information research; and

(e) all related data communication services, whether conducted by e-mail, mobile devices, social media, cloud computing, document management, voice or data transmission or otherwise.

In the light of the said provisions of the Companies Act, 2013, as enumerated above:

(i) \*A company which has no place of business in India but is doing online business through telemarketing in India, will be considered as a 'Foreign Company'.

(ii) A company incorporated outside India which has a place of business in India whether by itself or through an agent, physically or through electronic mode, will be considered as foreign company. Thus, a company incorporated outside India which does not have a place of business in India, will not be considered a 'Foreign Company'

(\*It is presumed that the company in question is incorporated outside India, so that provisions of section 2(42) of the Companies Act, 2013 can be applied on it.)

**(4 MARKS)**

**ANSWER : 1(D)**

LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership

**Limited Liability:** Every partner of a LLP is, for the purpose of the business of LLP, the agent of the LLP, but not of other partners (Section 26 of the LLP Act, 2008). The liability of the partners will be limited to their agreed contribution in the LLP, while the LLP itself will be liable for the full extent of its assets.

**Flexibility of a partnership:** The LLP allows its members the flexibility of organizing their internal structure as a partnership based on a mutually arrived agreement. The LLP form enables entrepreneurs, professionals and enterprises providing services of any kind or engaged in scientific and technical disciplines, to form commercially efficient vehicles suited to their requirements. Owing to flexibility in its structure and operation, the LLP is a suitable vehicle for small enterprises and for investment by venture capital.

**(3 MARKS)**

**ANSWER : 2(A)**

**Doctrine of Indoor Management:** According to this doctrine, persons dealing with the company need not enquire whether internal proceedings relating to the contract are followed correctly, once they are satisfied that the transaction is in accordance with the memorandum and articles of association.

Stakeholders need not enquire whether the necessary meeting was convened and held properly or whether necessary resolution was passed properly. They are entitled to take it for granted that the company has gone through all these proceedings in a regular manner.

The doctrine helps to protect external members from the company and states that the people are entitled to presume that internal proceedings are as per documents submitted with the Registrar of Companies.

Thus,

1. What happens internal to a company is not a matter of public knowledge. An outsider can only presume the intentions of a company, but not know the information he/she is not privy to.
2. If not for the doctrine, the company could escape creditors by denying the authority of officials to act on its behalf.

In the given question. Mr. C being a person external to the company, need not enquire whether the necessary meeting was convened and held properly or whether necessary resolution was

passed properly. Even if the shareholders claim that no resolution authorizing the loan was passed, the Lovely Tea Company Ltd. is bound to pay the loan to Mr. C.

**(4 MARKS)**

**ANSWER : 2(B)**

(I) As per section 130 of the Companies Act, 2013, a company shall not re-open its books of account and not recast its financial statements, unless an application in this regard is made by the Central Government, the Income-tax authorities, the Securities and Exchange Board, any other statutory body or authority or any person concerned and an order is made by a court of competent jurisdiction or the Tribunal to the effect that-

- (i) The relevant earlier accounts were prepared in a fraudulent manner; or
- (ii) The affairs of the company were mismanaged during the relevant period, casting a doubt on the reliability of financial statements:

However, no order shall be made in respect of re-opening of books of account relating to a period earlier than eight financial years immediately preceding the current financial year.

In the given instance, an application was filed for re-opening and re-casting of the financial statements of Smart Technology Ltd. for the financial year 2008-2009 which is beyond 8 financial years immediately preceding the current financial year.

Though application filed by the Income Tax Authorities to NCLT is valid, its recommendation for reopening and recasting of financial statements for the period earlier than eight financial years immediately preceding the current financial year. i.e. 2020 – 2021 is invalid.

(II) According to Section 96 of the Companies Act, 2013, every company shall be required to hold its first annual general meeting within a period of 9 months from the date of closing of its first financial year.

The first financial year of Rashi Sahu Limited for the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020, the first annual general meeting (AGM) of the company should be held on or before 31<sup>st</sup> December, 2020.

The section further provides that the Registrar may, for any special reason, extend the time within which any annual general meeting, other than the first annual general meeting, shall be held, by a period not exceeding three months.

Thus, the first AGM of Rashi Sahu Limited should have been held on or before 31<sup>st</sup> December, 2020. Further, the Registrar does not have the power to grant extension to time limit for the first AGM of the company.

To conclude, as per the provisions of the Companies Act, 2013 the following should be taken into consideration.

- (i) The time limit to hold the first annual general meeting is 9 months from the date of closing of its first financial year. It is not necessary for the company to hold any annual general meeting in the year of its incorporation.
- (ii) If it is not possible to hold an AGM within the prescribed time, the Registrar may for any special reason, extend the period not exceeding three months. But no such extension of time can be granted by the Registrar for holding of the first annual general meeting of the company.

**(3 MARKS)**

**ANSWER : 2(C)**

**Sweat equity shares of a class of shares already issued.**

According to section 54 of the Companies act, 2013, a company may issue sweat equity shares of a class of shares already issued, if the following conditions are fulfilled, namely –

- (i) the issue is authorized by a special resolution passed by the company.
- (ii) the resolution specifies the number of shares, the current market price, consideration, if any, and the class or classes of directors or employees to whom such equity shares are to be issued;
- (iii) where the equity shares of the company are listed on a recognized stock exchange, the sweat equity shares are issued in accordance with the regulations made by the Securities and Exchange Board in this behalf and if they are not so listed, the sweat equity shares are issued in accordance with such rules as prescribed under Rule 8 of the Companies (Share and Debentures) Rules, 2014,

The rights, limitations, restrictions and provisions as are for the time being applicable to equity shares shall be applicable to the sweat equity shares issued under Section 54 and the holders of such shares shall rank pari passu with other equity shareholders.

Trisha Data Security Limited can issue Sweat equity shares by following the conditions as mentioned above. It does not make any difference that the company is just about a year old, because there is no such age (time since commencement of business) requirement under Section 54.

**(4 MARKS)**

**ANSWER : 2(D)**

According to section 24(3), where a person has ceased to be a partner of a LLP (hereinafter referred to as “former partner”), the former partner is to be regarded (in relation to any person dealing with the LLP) as still being a partner of the LLP unless—

- (a) the person has notice that the former partner has ceased to be a partner of the LLP; or
- (b) notice that the former partner has ceased to be a partner of the LLP has been delivered to the Registrar. Hence, by virtue of the above provisions, as no notice of resignation was given to ROC, Abhinav will still be liable for the loss of firm of the transactions entered after 01.11.2022.

**(3 MARKS)**

**ANSWER : 3(A)**

According to section 101 (1) of the Companies Act, 2013, a general meeting of company may be called by giving not less than clear twenty-one day’s notice either in writing or through electronic mode in such manner as may be prescribed.

Also, it is to be noted that 21 clear days mean that the date on which notice is served and the date of meeting are excluded for sending the notice.

Further, rule 35(6) of the Companies (Incorporation) Rules, 2014, provides that in case of delivery by post, such service shall be deemed to have been effected in the case of a notice of a meeting, at the expiration of forty eight hours after the letter containing the same is posted.

Hence, in the given question:

- (i) A 21 days' clear notice must be given. In the given question, only 19 clear days' notice is served (after excluding 48 hours from the time of its posting and the day of sending and date of meeting). Therefore, the meeting was not validly called.
- (ii) As explained in (i) above, notice falls short by 2 days.

The Companies Act, 2013 does not provide anything specific regarding the condonation of delay in giving of notice. Hence, the delay in giving the notice calling the meeting cannot be condoned.

**(5 MARKS)**

**ANSWER : 3(B)**

According to section 52 of the Companies Act, 2013, where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to a "Securities premium account" and the provisions of this Act relating to reduction of share capital of a company shall, except as provided in this section, apply as if the securities premium account were the paid-up share capital of the company. By following the provision of section 52 of the Companies Act, 2013 the directors of Red Rose Ltd. may use the same for the expansion of the Company's business but subject to the prescribed limits as follows:

The Securities premium account may be applied by the company-

- (a) towards the issue of unissued shares of the company to the members of the company as fully paid bonus shares;
- (b) in writing off the preliminary expenses of the company;
- (c) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company;
- (d) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the company; or for the purchase of its own shares or other securities under section 68

**(5 MARKS)**

**ANSWER : 3(C)**

**"Immovable Property" [Section 3(26) of the General Clauses Act, 1897]:**

'Immovable Property' shall include:

- (i) Land,
- (ii) Benefits to arise out of land, and
- (iii) Things attached to the earth, or
- (iv) Permanently fastened to anything attached to the earth.

It is an inclusive definition. It contains four elements: land, benefits to arise out of land, things attached to the earth and things permanently fastened to anything attached to the earth. Where, in any enactment, the definition of immovable property is in the negative and not exhaustive, the definition as given in the General Clauses Act will apply to the expression given in that enactment.

In the instant case, X sold Land along with timber (obtained after cutting trees) of fifty tamarind trees of his land. According to the above definition, Land is immovable property; however, timber cannot be immovable property since the same are not attached to the earth.

**(4 MARKS)**

**ANSWER : 3(D)**



This is strictly speaking not a rule but a method of interpreting a provision liberally so as to give effect to the declared intention of the legislation. Beneficial construction will be given to a statute, which brings into effect provisions for improving the conditions of certain classes of people who are under privileged or who have not been treated fairly in the past. In such cases it is permissible to give an extended meaning to words or clauses in enactments. But this can only be done when two constructions are reasonably possible and not when the words in a statute are quite unequivocal.

**(3 MARKS)**

**ANSWER : 4(A)**

- (I) Section 40 (6) of the Companies Act 2013, provides that a company may pay commission to any person in connection with the subscription to its securities, subject to the conditions prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014. Rule 13 states that the rate of commission paid or agreed to be paid shall not exceed, in case of shares, five percent (5%) of the price at which the shares are issued or a rate authorised by the articles, whichever is less.

In the given problem, the articles of Jagrati Mills Ltd. have prescribed 4% underwriting commission but the directors decided to pay 5% underwriting commission.

Therefore, the decision of the Board of Directors to pay 5% underwriting commission to the underwriters is invalid.

**(3 MARKS)**

- (II) Section 123 (6) of the Companies Act, 2013, specifically provides that a company which fails to comply with the provision of section 73 (Prohibition of acceptance of deposit from public) and section 74 (Repayment of deposits, etc., accepted before the commencement of this Act) shall not, so long as such failure continues, declare any dividend on its equity shares.

In the given instance, the Board of Directors of Super Cargo Limited proposes to declare dividend at the rate of 20% to the equity shareholders, in spite of the fact that the company has defaulted in repayment of public deposits accepted before the commencement of the Companies Act, 2013. Hence, according to the above provision, declaration of dividend by the Super Cargo Limited is not valid.

**(3 MARKS)**

**ANSWER : 4(B)**

As per Section 10A of the Companies Act, 2013, a company incorporated after the commencement of the Companies (Amendment) Second Ordinance, 2019 and having a share capital shall not commence any business or exercise any borrowing powers unless:

- (i) A declaration is filed by a director within a period of 180 days of the date of incorporation of the company in such form and verified in such manner as may be prescribed, with the Registrar that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him on the date of making of such declaration; and
- (ii) The company has filed with the Registrar a verification of its registered office as provided in sub-section (2) of section 12.

Strong Security Equipments Ltd. has to comply with the above requirements and procedure for commencing the business of the company.

**(4 MARKS)**

**ANSWER : 4(C)**

As per section 9 of the General Clauses Act, 1897, for computation of time, the section states that in any legislation or regulation, it shall be sufficient, for the purpose of excluding the first in a series of days or any other period of time to use the word “from” and for the purpose of including the last in a series of days or any other period of time, to use the word “to”

- (i) **Payment of dividend:** in the given instance, Gajanan Stones Ltd. declares dividend for its shareholder in its Annual General Meeting held on 21 August, 2021. Under the provision of Section 127 of the Companies Act, 2013, a company is required to pay declared dividend within 30 days from the date of declaration, i.e. from 22.08.2021 to 21.09.2021. In this series of 30 days, 21.08.2021 will be excluded and last 30<sup>th</sup> day, i.e. 21.09.2021 will be included. Accordingly, Gajanan Stones Ltd. will be required to pay dividend within 22.08.2021 and 21.09.2021 (both days inclusive).
- (ii) As per the provisions of Section 124 of the Companies Act, 2013, where a dividend has been declared by a company but has not been paid or claimed within 30 days from the date of the declaration, to any shareholder entitled to the payment of the dividend, the company shall, within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the company in that behalf in any scheduled bank to be called the “Unpaid Dividend Account” (UDA).

**(4 MARKS)**

**ANSWER : 4(D)**

**Effect of usage:** Usage or practice developed under the statute is indicative of the meaning recognized to its words by contemporary opinion. A uniform notorious practice continued under an old statute and inaction of the Legislature to amend the same are important factors to show that the practice so followed was based on correct understanding of the law. When the usage or practice receives judicial or legislative approval it gains additional weight.

In this connection, we have to bear in mind two Latin maxims:

- (i) ‘Optima Legum interpres est consuetude; (the custom is the best interpreter of the law); and
- (ii) ‘Contemporanea exposito est optima et fortissinia in lege’ (the best way to interpret a document is to read it as it would have been read when made).

Therefore, the best interpretation/construction of a statute or any other document is that which has been made by the contemporary authority, Simply stated, old statutes and documents should be interpreted as they would have been at the time when they were enacted/written.

Contemporary official statements throwing light on the construction of a statute and statutory instruments made under it have been used as *contemporanea exposition* to interpret not only ancient but even recent statutes in India.

**(3 MARKS)**

**ANSWER : 5(A)**

As per Rule 18 of the Companies (Management & Administration) Rules, 2014, sending of notices through electronic mode has been statutorily recognized.

A notice may be sent through e-mail as a text or as an attachment to e-mail or as a notification providing electronic link or Uniform Resource Locator for accessing such notice.

The e-mail shall be addressed to the person entitled to receive such e-mail as per the records of the company as provided by the depository. Also, the company shall provide an advance opportunity at least once in a financial year, to the member to register his e-mail address and the changes therein and such request may be made by only those members who have not got their email id recorded or to update a fresh email id and not from the members whose email ids are already registered.

In the light of the above provisions of the Act, the Swati Producers Limited transmits the e-mail and the company shall not be held responsible for a failure in transmission beyond its control. Also, if the member entitled to received the notice fails to provide or update relevant e-mail address to the company, or to the depository participant as the case may be, the company shall not be in default for not delivering notice via e-mail.

Hence, the company has not erred in serving notice of Annual General Meeting to Aman.

**(5 MARKS)**

**ANSWER : 5(B)**

According to first proviso to section 137 (1) of the Companies Act, 2013, where the financial statements are not adopted at annual general meeting or adjourned annual general meeting, such unadopted financial statements along with the required documents shall be filed with the Registrar within thirty days of the date of annual general meeting and the Registrar shall take them in his records as provisional till the financial statements are filed with him after their adoption in the adjourned annual general meeting for that purpose.

According to second proviso to section 137 (1) of the Companies Act, 2013 financial statements adopted in the adjourned AGM shall be filed with the Registrar within thirty days of the date of such adjourned AGM with such fees or such additional fees as may be prescribed. In the instant case, the accounts of Star Pharma Ltd. were adopted at the adjourned AGM held on 15<sup>th</sup> October 2020 and filing of financial statements with Registrar was done on 12<sup>th</sup> November, 2020 i.e. within 30 days of the date of adjourned AGM But Star Pharma Ltd. has not filed its unadopted financial statements within 30 days of the date of the annual general meeting held on 31<sup>st</sup> August 2020.

Hence, Star Pharma Ltd. has not complied with the statutory requirement regarding filing of unadopted accounts with the Registrar, but has certainly complied with the provision by filing of adopted accounts within the due date with the Registrar.

**(5 MARKS)**

**OR**

**ANSWER : 5(B)**

**Meaning of Abridged Prospectus:-** According to Section 2 (1) of the Companies Act, 2013, an abridged prospectus means a memorandum containing such salient features of a prospectus as may be specified by the Securities and Exchange Board by making regulations in this behalf.

**Circumstances under which the abridged prospectus need not accompany the applications forms:**

Section 33 (1) of the Companies Act, 2013 states that no application form for the purchase of any of the securities of a company can be issued unless such form is accompanied by an abridged prospectus. In terms of the Proviso to section 33 (1) an abridged prospectus need not accompany the application form if it is shown that the form of application was issued:

- (i) In connection with a bona fide invitation to a person to enter into an underwriting agreement with respect to such securities; or
- (ii) Where the securities are not offered to the public.

If a company makes any default in complying with the provisions of this section, it shall be liable to a penalty of fifty thousand rupees for each default.

(3 MARKS)

**ANSWER : 5(C)**

(A) **Remittance of Foreign Exchange for studies abroad:** Foreign exchange may be released for studies abroad up to a limit of US \$ 250,000 for the studies abroad without any permission from the RBI. Above this limit, RBI's prior approval is required. Further proviso to Para I of Schedule III states that individual may be allowed remittances exceeding USD 250,000 based on the estimate received from the institution abroad. In this case since US \$ 120,000 is the drawal of foreign exchange, so permission of the RBI is not required.

(B) **Gift remittance exceeding US \$ 10,000:** Under the provisions of section 5 of FEMA 1999, certain Rules have been made for drawal of foreign exchange for current account transactions. Gift remittance is a current account transaction. Gift remittance exceeding US \$ 250,000 can be made after obtaining prior approval of the RBI. In the present case, since the amount to be gifted by an individual, Mr. Rohan is USD 10,000, there is no need for any permission from the RBI.

(4 MARKS)

**ANSWER : 5(D)**

**Financial Year:** According to section 3 (21) of the General Clauses Act, 1897, financial year shall mean the year commencing on the first day of April.

The term Year has been defined under Section 3(66) as a year reckoned according to the British calendar. Thus, as per General Clauses Act, 1897 Year means calendar year which starts from January to December.

**Difference between Financial Year and Calendar year:** Financial year starts from first day of April but Calendar Year starts from first day of January.

Therefore it is clear as per the opinion of the senior expert in the profession, the financial year begins from first day of April not from first day of January from which calendar year starts.

(3 MARKS)