



The Institute of Chartered Accountants of India

Code: IN2CL620536
Subject : 02 Corporate & Other Laws

Total Marks: 70
Marks Obtained : 49.5

Number of Answer Books used : Main + 2 additional sheets

Date Seal

05 MAY 2024

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620536



Paper Code

K
L
B
1

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z
A B C D E F G H I J K L M N O P Q R S T U V W X Y Z
A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

MCQ Booklet Serial No.

3307938

Paper No.
(See Reverse)

2

Level of Exam →

Intermediate

Intermediate

Final

Stream →

New

Old

New

Answers

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1	B C D	11	A B D	21	A B C D
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3	A C D	13	A C D	23	A B C D
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5	A B C D	15	A C D	25	A B C D
6	B C D	16	A B C D	26	A B C D
7	A C D	17	A B C D	27	A B C D
8	A C D	18	A B C D	28	A B C D
9	A C D	19	A B C D	29	A B C D
10	B C D	20	A B C D	30	A B C D



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INSTRUCTIONS TO THE CANDIDATE FOR FILLING THE MCQ ANSWER FIELDS

1. Candidate is required to Darken the appropriate Circle.
2. Candidate must fill in the correct MCQ Booklet Serial No. as printed on your question booklet which will be taken as final for evaluation.
3. If the candidate fills in this information wrongly, Institute will not take any responsibility for rectifying the mistake.
4. Candidate must Darken the complete circle.
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How to mark answers	
CORRECT METHOD	WRONG METHOD
(A) ● (C) (D)	✗ ✗ ✗ ✗

To be ticked (✓) by the candidate against the Questions answered Descriptive Type		LIST OF EXAM, PAPER NO. AND PAPER NAME (TO BE REFERRED TO FOR FILLING ON THE REVERSE SIDE)		
Q. No.		EXAM	PAPER NO.	PAPER NAME
		Intermediate (IPC) - Old course		
1		Intermediate (IPC) - (OLD COURSE)	2	BUSINESS LAWS, ETHICS AND COMMUNICATION
2		Intermediate (IPC) - (OLD COURSE)	4	TAXATION
		Intermediate (IPC) - (OLD COURSE)	6	AUDITING AND ASSURANCE
3		Intermediate (IPC) - (OLD COURSE)	7	INFORMATION TECHNOLOGY AND STRATEGIC MANAGEMENT
4		Intermediate - New		
5		Intermediate - (NEW COURSE)	2	CORPORATE AND OTHER LAWS
6		Intermediate - (NEW COURSE)	4	TAXATION
		Intermediate - (NEW COURSE)	6	AUDITING AND ASSURANCE
7		Intermediate - (NEW COURSE)	7	ENTERPRISE INFORMATION SYSTEMS AND STRATEGIC MANAGEMENT
8		Final - Old		
		FINAL - (OLD COURSE)	3	ADVANCED AUDITING AND PROFESSIONAL ETHICS
9		FINAL - (OLD COURSE)	4	CORPORATE AND ALLIED LAWS
		FINAL - (OLD COURSE)	6	INFORMATION SYSTEMS CONTROL AND AUDIT
10		FINAL - (OLD COURSE)	7	DIRECT TAX LAWS
11		FINAL - (OLD COURSE)	8	INDIRECT TAX LAWS
12		Final - NEW		
13		FINAL - (NEW COURSE)	3	ADVANCED AUDITING AND PROFESSIONAL ETHICS
		FINAL - (NEW COURSE)	4	CORPORATE AND ECONOMIC LAWS
14		FINAL - (NEW COURSE)	7	DIRECT TAX LAWS AND INTERNATIONAL TAXATION
Total		FINAL - (NEW COURSE)	8	INDIRECT TAX LAWS



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Answer to Question 1(a)

As per Section 48 of the Companies Act, 2013, a company may vary the rights attached to any class of share if consent of not less than three-fourth of the shareholders ~~in v~~ has been received in writing or a special resolution is passed at a separate class meeting provided:-

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1aStep1

There must exist a provision for such variation in memorandum or articles of company, or

b) in absence of provision in memorandum and articles, the terms of issue of such share must not prohibit such a variation.

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1aStep2

If variation in right attached to a class of share affects the right of other class of share, then consent of three-fourth of shareholders of that class must be obtained in writing.

Further, if shareholders holding not less than one-tenth of share who have not consented or ^{not} given vote in favour of resolution, may apply to Tribunal and such variation shall not take effect till the order of Tribunal.



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On applying the above stated provision in this case,

- i) MNO Limited can change the rights of shareholders as articles and memorandum gives the power of variation and consent of 40,000
4 1a holder of 40,000 equity shares have been received out of 50,000 [4/5th which is more than 3/4th]

However, consent of shareholders of Class-1 shall also be received if such variation affects their right

- ii) Holders of 4,500 equity shares cannot apply to the tribunal as in case of dissenting shareholder, at least 1/10th i.e. 5,000, of the shareholder can apply to the Tribunal.

1

1aStep3



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Answer to Question 1(b)

As per Section 128 of the Companies Act, 2013, every company is required to maintain books of accounts for each year on accrual basis and according to double entry system of accounting at the registered office of company.

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R 1bStep1 the above condition shall be deemed to be satisfied in case of branch, where

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a) proper books of account relating to that branch is kept at the branch office, and

b) proper summarized return are sent by branch office on periodical basis to the registered office or any other place.

In this case, assistant of audit team, Mr. Naveen objects that books of account of branch being maintained at branch and not at registered office constitutes a default, and the London Branch shall send summarised return on monthly basis instead of quarterly basis.

As per the facts and provision, both the contention of Mr. Naveen are wrong because :-



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a) A branch office is allowed to maintain books of accounts at branch instead of registered office provided that summarised returns are sent.

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1bStep3

b) There is no provision in the Companies Act, 2013, that requires the branch to send summarised return on monthly basis.

Hence, both the objections of Mr. Naveen are invalid as per law.

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1bStep4

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1b



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Answer to Question 1(c)

As per the provisions of the Foreign Exchange Management Act, 1999, person resident in India means:

a) a person who has stayed more than 182 days in the course of preceeding financial year but does not include:

i) a person who has gone out of India or stays outside India, in either cases,

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1cStep1

- or on taking up employment outside India, or
- for carrying out outside India a business or vacation outside India, or
- for any other purpose, in such circumstances as it would indicate his intention to stay outside India for uncertain period.

ii) a person who comes to India or stays in India, for any purpose otherwise than

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1cStep2

- for or on taking up employment in India
- for purpose of carrying out in India a business or vacation in India.
- for any other purpose, in such circumstances as it would indicate his intention to stay in India



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for an uncertain period

~~In this case,~~

On applying the provisions in the given case,

i) Mr. L shall be person resident outside India as he left India for employment in Paris and came to India for only 10 days

ii) If Mr. L arrives in India on 30.04.2024 for employment in Indian company, then he shall be ^{person} resident in India because he came for employment and has also stayed more than 182 days in the preceding financial year.

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1c

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1cStep3

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Answer to Question 2(a)

i) As per Section 42 of the Companies Act, 2013, a company making private placement offer shall be required to pass a special resolution for the purpose.

further, a private placement offer can be made to person not more than 200 in a financial year for each kind of security.

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2aStep1

following person shall not be included in the limit of 200:-

- a) Qualified Institutional Buyer
- b) Employees under Employee Stock Option Plan (ESOP).



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ii) A company shall make the allotment of shares within 60 days from receipt of money and in case of default, company shall be liable to pay interest at the rate of 12% p.a. in case of private placement.

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2aStep2

If this is not the case of private placement, then company shall be liable to pay interest at the rate of 15% p.a. in case of non-allotment of securities within time as may be prescribed.

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iii) A company shall not utilise the money/funds received under private placement until the shares are allotted within prescribed time and a return in Form-PAS-4 has been filed with the Regis Registrar containing the details of such private placement issue.

Following details shall be contained in the Form PAS-4

a) the name, address and occupation of the person to whom allotment made

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2a Step 3 number of share allotted

c) Price at which share allotted and other matter as may be prescribed

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2a



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Answer to Question 2(b)

i) In case of joint shareholder, the voting right shall be determined on the basis of seniority of the joint shareholder.

Seniority shall be determined on the basis of the fact that whose name appears first in the register of members.

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2bStep1

In this case, Mr. M and Mr. P who are joint shareholders are of different opinion. Mr. M wants to endorse the resolution while ~~Mr. M~~ Mr. P wants to dissent.

In light of facts and provisions, Mr. M and Mr. P must concur in the voting or if the voting right shall be determined on the basis of seniority.

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2bStep2



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ii) As per the provisions of the Companies Act, 2013, a eligible company may accept the deposits from public.

Eligible Company means a company having net worth of more than 100 crores or turnover of more than 500 crores and

which has obtained the consent by passing a resolution and has filed the resolution with Registrar.

Hence, Okara Limited can accept deposits from the public as it is an eligible company as its net worth is 110 crore which is more than 100 crores.

Further, Okara Limited is required to pass a ^Sspecial resolution.

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2bStep4



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Answer to Question 2(c)

i) As per the General Clauses Act, 1897, where the power to appoint is conferred to any person then such person shall ~~be~~ also have the power to remove the person appointed by him or ~~under~~ other person under previous authority.

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9n **2cStep1** In case, Mr. Sharad appointed two employees Mr. Suresh and Mr. Hemant. Further, he issued dismissal order to both the employees and Mr. Suresh contested such dismissal.

Hence, the contention of Mr. Suresh is wrong as Mr. Sharad having power to appoint shall also have power to remove.

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1 **2cStep2**

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(i) ~~As per the General Clauses Act, 1897,~~

(ii) In this case, Mr. M issued a cheque of ₹ 3,00,000 dated 31.12.2023 to Mr. N for providing consideration towards medical services, ~~dated 31.12.2023~~

Later, Mr. N presented the cheque on 31.03.2024 during banking hours and same was not dishonoured taking plea that it was not presented within 3 months.

On applying the provision of the General Clauses Act, 1897, the plea for dishonouring the cheque is invalid as the 3 months will ^{on} get expired on the end of day of 31.03.2024.
1) 2cStep3 months from 31st December will end on 31st March, 2024]

As the cheque ^{posted} before the end of 31.03.2024, the same should not be dishonoured by taking the plea of late delivery/presentation.
4) 2c

1) 2cStep4



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11

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2

Answer to Question 3(a)

As per Section 63 of the Companies Act, 2013, a company may issue bonus shares out of

- a) free reserves
- b) securities premium ~~reserve~~ account
- c) capital redemption reserve,

but shall not be paid out of reserves created from revaluation of assets

The prerequisites for issue of bonus shares are :-

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3aStep1

Articles of company must authorize such issue of bonus share

- A ordinary resolution is required to be passed for issuing bonus shares
- The company must not have defaulted in payment of any statutory dues relating to employees of the company
- The company has not defaulted in repayment of borrowing or loan or payment of interest at the time of issue of bonus share

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- The partly paid share of the company, if any, must be ~~full~~ made fully paid
- Further, as per Rules, a company shall not withdraw any offer of bonus share after declaration of such issue of bonus share

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3a



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Answer to Question 3(b)

i) As per Section 103 of the Companies Act, 2013, a minimum number of members shall be personally present in order to constitute a valid meeting.

Quorum means the minimum number of members required to be personally present.

In case of public company having members more than 1000 but upto 5000, 15 members personally present shall form the quorum, unless the articles of company provide for higher number.

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3bStep1

In this case, Q.L. Ltd. is a public company with 1200 members which convened a general meeting on 10.12.2023. 14 members were ~~perso~~ present in person and Mr. Mohan acting as authorised representative of ~~R~~ body corporate who are members of Q.L. Ltd.

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3bStep2

Hence, in light of provision and facts of this case, quorum was present at the meeting held on 10.12.2023 because :-

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An authorised representative of a company shall exercise all the rights as the member of company in which the appointing company is shareholder.

Further, an authorised representative of more than one company shall be treated as more than one member.

As ^{hence} Mr. Mohan ~~who~~ shall be treated as 2 person & the quorum was present in the meeting as only 15 members are required for quorum

ii) Mr. Rahi, Chairman, adjourned the meeting as Mr. Shyam who is an important member of the company was not present at the meeting.

Conclusion :- Mr. Rahi cannot adjourn the meeting solely because of the reason that one member is not present at the meeting.

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3bStep3

The meeting should be convened as planned as the quorum is also present.

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3b



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Answer to Question 3(c)

As per Interpretation of Statute,

Interpretation is the process used to understand the meaning of the words expressed in the Act. Interpretation is necessary because the making of provision and construction of the provision takes place separately and the Interpretation acts as a bridge between these two.

The difference between interpretation and construction is that when the words are understood by giving them ordinary meaning, it is called Interpretation but where, the words are construed by using any other method going beyond the ordinary meaning, it is meant as Construction.

These two concepts relate to each other as well as they both help in ascertaining the meaning of the words in the Act and help in suppression or continuation of mischief and removal of any absurdity or doubt.

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3c



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Answer to Question 4(a)

As per the provisions of the Companies Act, 2013, a company may by complying with Rule 3 of Companies (Declaration and Payment of Dividend) Rules, 2014, declare dividend out of the accumulated profits of the company.

In the case, the Directors of Long Boots Ltd. has decided to pay dividend of ₹50 Lakhs after 8 years. The current year profit is ₹16 Lakhs and accumulated profits were ₹170 Lakh and total share capital is ₹680 Lakh [$\frac{170 \text{ Lakh}}{25\%}$] as it is 25% the

accumulated reserve is 25% of the ^{total} paid up share capital.

Hence, amount required from reserve is ₹34 Lakh [$50 \text{ Lakh} - 16 \text{ Lakh}$]

Analysis and Conclusion :-

Condition 1:- The rate of dividend shall not exceed the average of rate of dividend declared in immediately three preceding financial year.

The condition will not be applicable as the dividend declared by company in past is 0.



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Condition 2 :- The amount withdrawn from reserves shall not exceed 10% of paid up share capital and free reserve.

In this case,

Amount ^{to be} withdrawn from reserve = ₹34 Lakh
10% of Share capital and free reserve = ₹85 Lakh
reserve $[680 + 170] \times \frac{10}{100}$

This condition is also satisfied.

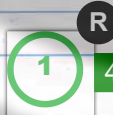
Condition 3 :- The amount withdrawn must be used to set off the losses first.

Condition 4 :- The amount of reserve shall not fall below than 15% of the paid up share capital.

Amount of reserve after = 136 Lakhs
withdrawal $[170 \text{ Lakh} - 34 \text{ Lakh}]$

15% of paid up share capital = 102 Lakhs
 $[680 \text{ L} \times 15\%]$

This condition is also satisfied.



4aStep3

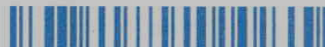


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Hence, all the conditions are met and the company can declare the dividend.

Note :- Accumulated reserves and paid up share capital are called shareholder's funds and the word 'total share capital' is interpreted as paid up share capital.

4

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4a



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Answer to Question 4(b)

As per the provisions of the Limited Liability Partnership Act, 2008, a LLP shall have at least 2 partner.

In case the LLP has less than 2 partner and the LLP carries on business with such reduced number of partner for more than 6 months and the person carrying on business is aware of the fact that the business is being carried out by him alone, such partner shall be personally liable for all the obligations of LLP arising or expiring of 6 months.

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4bStep1

Further, as per Section 64 of the Limited Liability Partnership Act, the Tribunal has power to order the winding up of the company in certain cases.

Such cases are :-

- If LLP decides to be wound up by Tribunal, or
- If LLP has acted against the interest of sovereignty and integrity of India
- If LLP carries on business for more than 6 months, with reduced number of member.
- If the Tribunal thinks is of opinion that



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winding up is just and equitable in public interest.

Hence, if the number of partner is reduced below two, there are two implications:-

- Single partner liable for all the debts after 6 months
- Tribunal having power to order winding up of the company.

1.5 R
4bStep2

3 R
4b



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Answer to Question 4(c)

As per Interpretation of Statutes, the term "Generalia specialibus non derogant" means that the Special Rule always overrides the general rule.

2 **R** means that any general rule prescribed in the **4cStep1** will not be applicable in cases where a special rule in this regard has been made.

Example :-

- 'Subject to' clause :- This clause is subservient to another clause because the other subsection or clause will override this clause or subsection.

- Notwithstanding clause :- This clause has power to make the provision override the other provision. This clause give the provision an overriding effect.

⇒ further, these are classified as

- Notwithstanding anything contained in Act,
- Notwithstanding anything contained in any other law
- Notwithstanding anything contained in a Sub-section or Section

2 **R** **4c**



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Addl. Book No.1.....

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ADDL. BOOK



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Answer to Question 6(a) (OR)

As per Section 130 of the Companies Act, 2013

- i) A company shall not -
- reopen its books of account
 - recast its financial statement.

unless an application in this regard is made by

- Income Tax Authorities
- Securities and Exchange Board of India
- Central Government

R Any other Statutory body concerned
other person concerned

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6aStep1

to Tribunal, and Tribunal is satisfied that

- the books of account are prepared in fraudulent manner, or
- the affairs of the company were mismanaged, thereby casting a doubt over the reliability of financial statement

Such application must relate to financial statement of



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8 ^{financial} ~~previous~~ year immediately preceeding the current financial year unless otherwise specified by Central Government

ii) As per Section 131 of the Companies Act, 2013, ~~then~~ if it appears to the board of directors that
a) financial statement is not in conformity with Section 129
b) the report of board is in contravention with Section 134,

1 **6aStep2** the directors may apply to Tribunal for revision of financial statement or board report by filing a application in ~~the~~ FORM-NCLT-1, ~~for~~

Such financial statement or board report shall not be revised more than once in a financial year.

iii) The board of directors may apply for revision of financial statement or board report for three financial years immediately preceeding the current financial year

1

6aStep3



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3.5

6a

3

Answer to Question 6(b)

i) It shall be the duty of auditor to prepare a audit report and such audit report shall be

- In case of individual, signed by the Chartered Accountant who is appointed having valid Certificate of Practice

- In case of firm of auditor, signed by the partner who is a Chartered Accountant having valid Certificate of Practice

Further, the observations, qualifications or comments made by an auditor on financial transaction which may have any adverse effect on functioning of the company shall be read before such meeting and the same shall be open for inspection by the members of the company

Section 388 of

ii) As per provisions of the Companies Act, 2013, no person shall issue, circulate or distribute prospectus for subscription to securities of a company incorporated or to be incorporated outside India, whether have or have not established, or when formed will not or will not establish a place of business in India, unless if

1.5

6bStep2



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6b

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the expert has not given consent to such issue of prospectus or has withdrawn his consent before delivery of prospectus to Registrar, or there does not appear a statement in prospectus that Rating that the consent of expert is obtained

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6bStep3

Further, the consent of expert shall be attached or annexed to the prospectus delivered to the Registrar as per Section 389.

Answer to Question 6(c)

As per the provisions of Foreign Exchange Management Act, 1999 and Schedule III to the Foreign Exchange Management (Current Account Transaction) Rule, 2000, -

- i) Commission paid to agent abroad for sale of residential flats or commercial plots in India shall require approval of RBI if such commission exceeds,
- USD 25,000, or
 - 5% of the inward remittance, whichever is higher

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6cStep1



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05 MAY 2024

Continued:- Answer to Question 6(c)

ii) Remittance for the consultancy services procured from outside India will require approval of RBI if such remittance exceeds,

- In case of consultation received for infrastructure projects, USD ₹10,000,000.

1

6cStep2

- In case of other consultancy services, USD 1,000,000

iii) Remittances by way of reimbursement of pre incorporation expense will require approval of RBI if such remittance exceeds

- 5% of the investment brought in India, or
- USD 1,00,000
whichever is higher.

R

3.5

6c

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10.5

6

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1

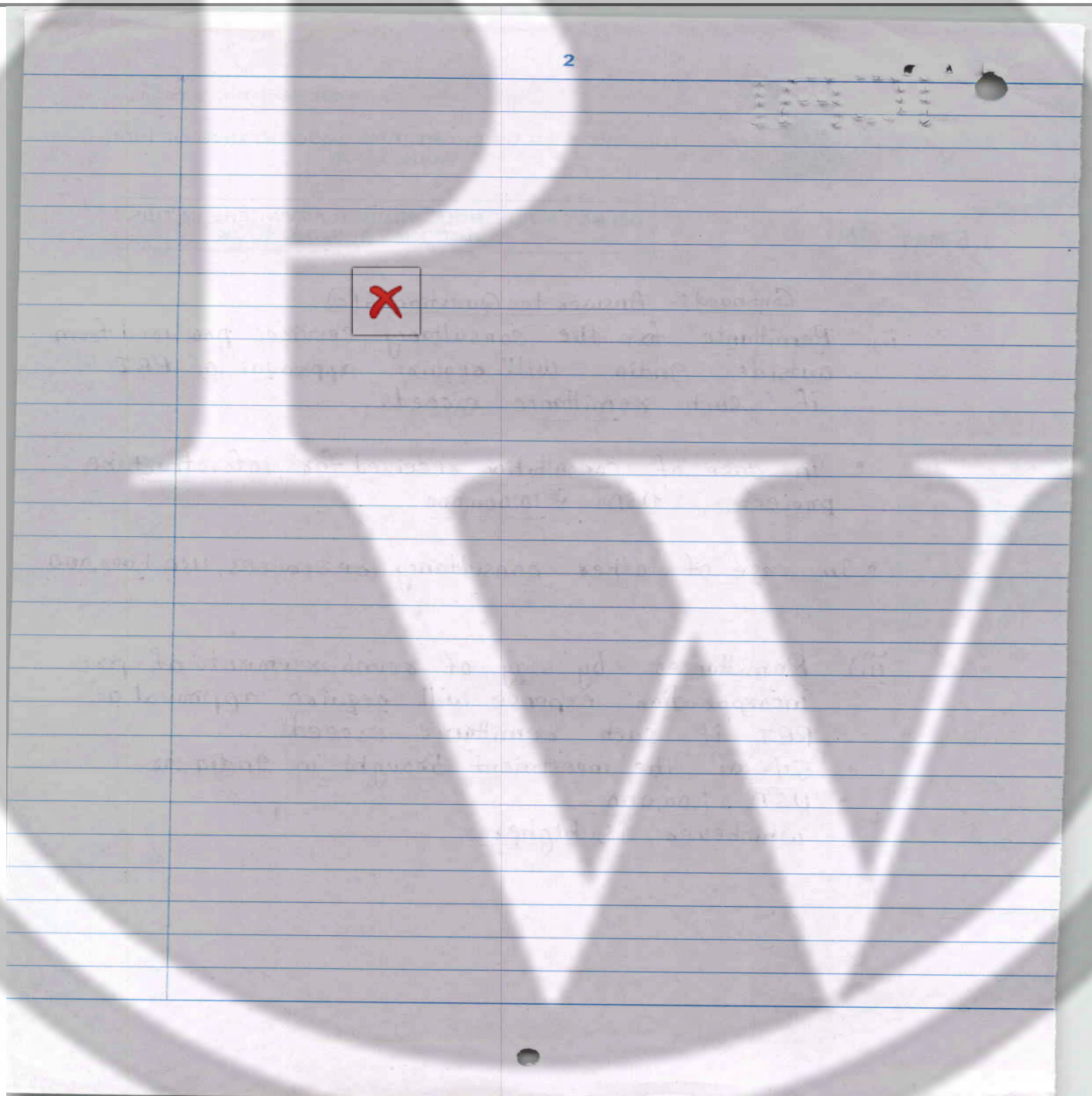
6cStep3



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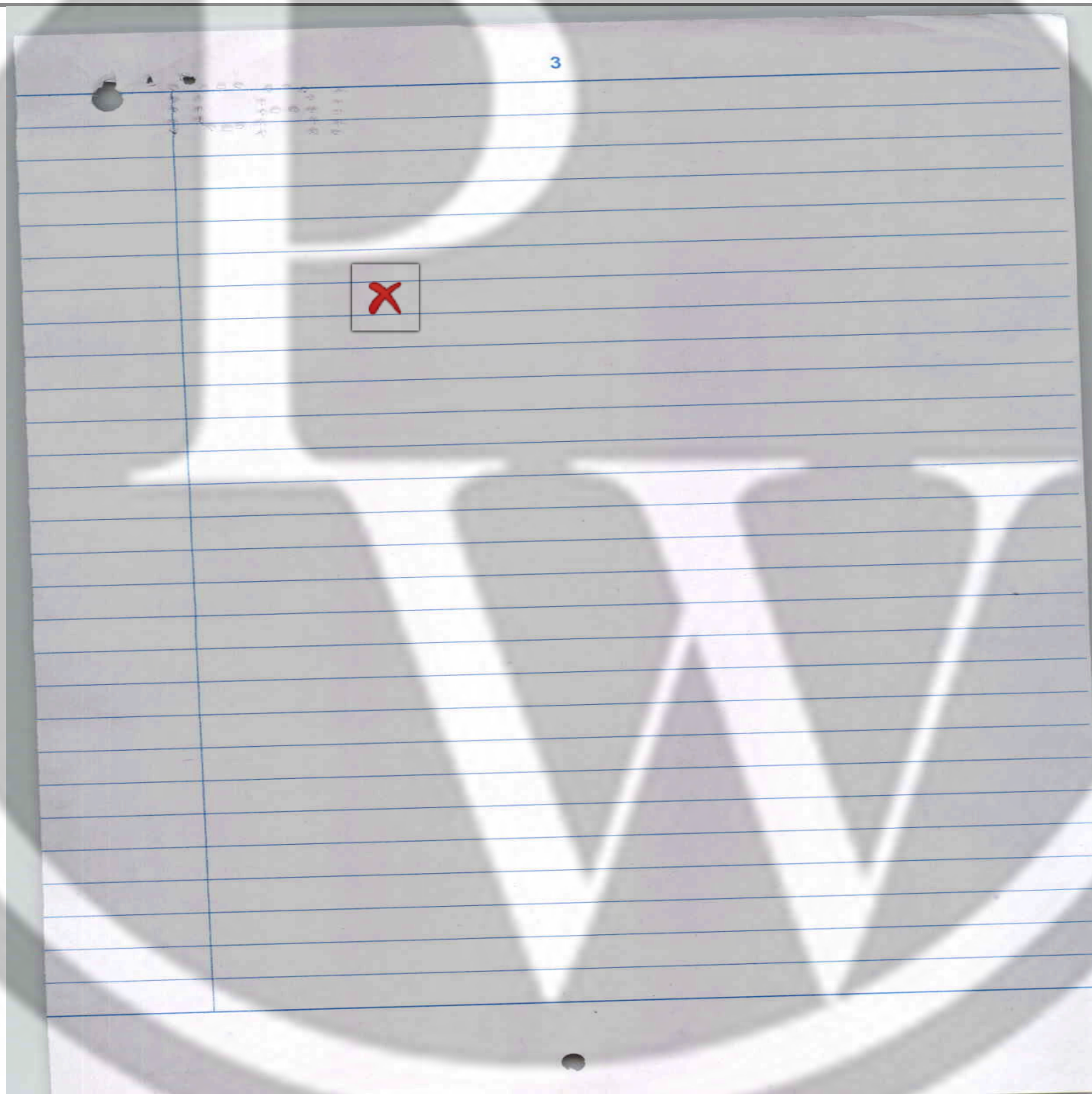




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