

INTERMEDIATE COURSE

PAPER – 2

CORPORATE AND OTHER LAWS

[RELEVANT FOR MAY, 2025 EXAMINATION AND ONWARDS]

BOOKLET ON CASE SCENARIOS



BOARD OF STUDIES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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PREFACE

Under the New Scheme of Education and Training which was introduced on 1st July, 2023, 30% of the examination assessment is by the way of Objective Type Questions at Intermediate and Final level. Therefore, to provide hands-on practice for such type of questions, BOS launched MCQ Paper Practice Portal on 1st July, 2023. This online portal contains independent MCQs as well as case scenario based MCQs both for conceptual clarity and practice of the students.

In continuation to this handholding initiative and to provide quality academic inputs to the students to help them grasp the intricate aspects of the subject, the Board of studies has brought forth subject-wise booklets on Case Scenarios at Intermediate and Final level. These booklets are meticulously designed to assist Chartered Accountancy (CA) students in their preparation of the CA course.

At Intermediate level, the '**Booklet on Case Scenarios for Paper 2: Corporate and Other Laws**' contains the case scenarios which have been answered on the basis of the provisions of the Companies Act, 2013, the Limited Liability Partnership Act, 2008, the General Clauses Act, 1897 and the Foreign Exchange Management Act, 1999, including significant circulars and notifications issued and other legislative amendments made, which have become effective up to 31.10.2024. The case scenario-based MCQs are all application oriented MCQs and arise from the facts of the case. At the end of each case scenario followed by MCQs, we have also provided explanations/hints for each MCQ which will enable the students to evaluate their performance and identify areas requiring further attention.

Please note that before working out the MCQs of this booklet, students have to be thorough with the Study Material. You are expected to apply the concepts learnt in answering the MCQs given in this booklet. You have to read the case scenarios and the MCQs, identify the provisions of law involved, apply the provisions correctly in addressing the issue raised/making the computation required in the MCQ, and finally, choose the correct answer. This process of learning concepts and provisions of laws and solving MCQs based thereon will help you attain conceptual clarity and hone

your application and analytical skills so that you are able to approach the examination with confidence and a positive attitude.

We are confident that this booklet will serve as a valuable companion in your preparation journey. We encourage students to make the most of this resource by engaging deeply with the scenarios, reflecting on the MCQs, and embracing the learning process.

**Best wishes for your studies and success in the CA Intermediate
Examination!**

CASE SCENARIO 1

The Companies Act, 2013

GlobalTech Pvt. Limited, a technology giant with operations in software development, hardware manufacturing, and IT consulting, has recorded significant financial growth over the past few years. For the financial year 2023-2024, the company reported the following financial metrics:

- Net worth: ₹ 520 crore
- Turnover: ₹ 1,050 crore
- Net profit: ₹ 4.5 crore

In the financial year 2022-2023, GlobalTech Pvt. Limited had a net worth of ₹ 480 crore, a turnover of ₹ 1,020 crore, and a net profit of ₹ 4 crore. The company has a subsidiary, TechSubs Limited, and a foreign subsidiary, GlobalTech International, which has a branch office in India.

GlobalTech Pvt. Limited spent ₹ 1.2 crore on various CSR activities during the financial year 2023-2024. However, ₹ 30 lakh remained unspent and was transferred to the Unspent Corporate Social Responsibility Account as per section 135(6) of the Companies Act, 2013.

The company's board comprises members from different parts of the country and they ensure that the administrative overheads do not exceed the prescribed limit of total CSR expenditure.

The company held its annual general meeting on 20th August, 2024 and filed the annual return in compliance with the provisions of the Companies Act, 2013.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5) given herein under: -

MULTIPLE CHOICE QUESTIONS

1. Based on the financial metrics of GlobalTech Pvt. Limited, is the company required to constitute a Corporate Social Responsibility (CSR) Committee for the for the financial year 2023-2024?
 - (a) Yes, because its net worth exceeds ₹ 500 crore.
 - (b) No, because it has not met the required net profit criteria.
 - (c) Yes, because its turnover exceeds ₹ 1,000 crore.
 - (d) No, because its net profit is less than ₹ 5 crore.
2. Given that GlobalTech Pvt. Limited has ₹ 30 lakh in its Unspent Corporate Social Responsibility Account, which of the following statements is true?
 - (a) The company is not required to constitute a CSR Committee if it has unspent CSR funds.
 - (b) The company must constitute a CSR Committee in Financial year 2024-2025, as it has balance in Unspent CSR account.
 - (c) The company can use the unspent funds for any other business activity.
 - (d) The company must transfer the unspent amount to the Prime Minister's National Relief Fund.
3. If GlobalTech Pvt. Limited had an average net profit of ₹ 5 crore over the past three immediately preceding financial years, what is the minimum amount it must spend on CSR activities in the financial year 2024-2025?
 - (a) ₹ 5 lakh
 - (b) ₹ 10 lakh
 - (c) ₹ 20 lakh
 - (d) ₹ 30 lakh
4. GlobalTech Pvt. Limited must ensure that the administrative overheads do not exceed a certain percentage of the total CSR expenditure. What is this percentage?
 - (a) 2%

- (b) 5%
 - (c) 10%
 - (d) 15%
5. What is the latest date by which GlobalTech Pvt. Limited must file its annual return with the Registrar of Companies (RoC)?
- (a) 10th September 2024
 - (b) 15th September 2024
 - (c) 10th October 2024
 - (d) 19th October 2024

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Yes, because its turnover exceeds ₹ 1,000 crore.

Reason:

As per Section 135(1) of the Companies Act, 2013, a company shall constitute a Corporate Social Responsibility Committee of the Board if during the immediately preceding financial year such company having:

- Net worth of ₹ 500 crore or more, or
- Turnover of ₹ 1,000 crore or more, or
- Net profit of ₹ 5 crore or more.

In this case, for the financial year 2022-2023, GlobalTech Pvt. Limited's turnover exceeded ₹ 1,000 crore (₹ 1,020 crore).

2. **Option (b)** The company must constitute a CSR Committee in Financial year 2024-2025, as it has balance in Unspent CSR account.

Reason:

As per second proviso to Rule 3(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, a company having any amount in its Unspent Corporate Social Responsibility Account as per section 135(6) shall constitute a CSR Committee and comply with the provisions contained in sub-sections (2) to (6) of the said section.

3. Option (b) ₹ 10 lakh**Reason:**

According to section 135(5) of the Companies Act, 2013, the Board of every company referred to in section 135(1), shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

Hence, the minimum amount GlobalTech Pvt. Limited must spend on CSR activities= 2% of ₹ 5 crore

= ₹ 10 lakh

4. Option (b) 5%**Reason:**

As per Rule 7(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, the board shall ensure that the administrative overheads shall not exceed five percent of total CSR expenditure of the company for the financial year.

5. Option (d) 19th October 2024**Reason:**

As per Section 92(4) of the Companies Act, 2013, a copy of annual return shall be filed with the RoC within 60 days from the date on which the Annual General Meeting ('AGM') is held. Where no annual general meeting is held in any year, it shall be filed within 60 days from the date on which the annual general meeting should have been held, along with the reasons for not holding the AGM.

GlobalTech Pvt. Limited held its AGM on **20th August 2024**, so the deadline for filing the annual return is:

20 August 2024 + 60 days = 19 October 2024.

CASE SCENARIO 2

ACC Private Limited was incorporated in July 2001. It is registered with an authorised share capital of ₹ 20 crore divided into 2 crore equity shares of ₹ 10/- each. The paid-up share capital of the company is ₹ 10 crore divided into 1 crore equity shares of ₹ 10/- each.

The Board of Directors of the company in their meeting held on 11th August, 2023 declared interim dividend. The Annual General Meeting of the company was held on 1st September, 2023. The company had incurred losses in the previous financial year as well as in the current financial year upto the period ended 30th June, 2023. In the previous five financial years, the company had declared the dividend as under:

Financial Year Ended	Dividend declared per share (₹)	Dividend declared rate (%)
31 st March, 2023	Nil	Nil
31 st March, 2022	1.00	10%
31 st March, 2021	1.10	11%
31 st March, 2020	1.30	13%
31 st March, 2019	1.20	12%

The company has deposited the amount of dividend declared in a separate account with ABC Bank on 14th August, 2023. Out of the total dividend declared, ₹ 60,000 payable to few equity shareholders remains unclaimed even after the expiry of statutory period within which dividend was required to be paid and had been transferred to a separate bank account Unpaid Dividend Account on 20th September 2023. The company prepares a statement containing the names of shareholders, their last known address and the unpaid dividend amount to such each shareholder and place on its website.

Meanwhile, the company obtained a term loan of ₹ 15 crore from Laxmi Bank Limited on 20th August, 2023, securing it with a charge on the company's assets, including its own buildings (in India and Germany) and intangible assets (trademark right over the company's logo). According to the Companies Act, 2013, the company was required to register this charge with the Registrar within

a specified timeframe. However, the company failed to complete the registration process within the prescribed timeline.

The Board of Directors has requested their Company Secretary to confirm them whether they are required to incur expenditure towards Corporate Social Responsibility during the financial year 2023-2024 and is required to constitute CSR committee.

The financial particulars in respect of immediately preceding financial year are as under:

S. No.	Particulars	Amount (₹ in crore)
1	Net worth	100
2	Turnover	1010
3	Net Profit	4.9
4	Borrowings	60

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-4) given herein under: -

MULTIPLE CHOICE QUESTIONS

1. The company can create charge in favour of the lender on the assets which are:
 - (a) Tangible Assets and situated in India only
 - (b) Intangible Assets and situated in India only
 - (c) Assets that are tangible or otherwise and situated in India or Germany
 - (d) Assets that are tangible or otherwise and situated in India only
2. The maximum rate at which interim dividend can be declared by the Board during the current financial year is as under: -

-
- (a) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding two financial years, i.e. 5%.
 - (b) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding three financial years, i.e. 7%.
 - (c) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding four financial years, i.e. 8.5%.
 - (d) The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding five financial years, i.e. 9.2%.
3. In respect of dividend declared which of the Statement is not correct?
- (a) The company has transferred the dividend amount to separate bank account within 5 days from the date of declaration of dividend.
 - (b) The company is required to pay dividend within 30 days from the date of declaration of dividend.
 - (c) The company is required to transfer the Unpaid dividend to a separate bank account within 10 days from the date of expiry of statutory period from the date of declaration of dividend.
 - (d) The company is required to prepare a statement containing the names of shareholders, their last known address and the unpaid dividend amount to such each shareholder and place on its website within 90 days from the date of transferring the amount to Unpaid Dividend Account.
4. Choose the correct option in terms that whether the provisions of Corporate Social Responsibility are applicable to ACC Private Limited.
- (a) The provisions of Corporate Social Responsibility are not applicable to ACC Private Limited as it is a private limited company.
 - (b) Yes, as ACC Private Limited is having turnover of more than ₹ 1000 crore.

- (c) Yes, as ACC Private Limited is having net profit of more than ₹ 2.5 crore in the immediately preceding financial year.
- (d) Yes, as ACC Private Limited is having net worth of more than ₹ 50 crore in the immediately preceding financial year.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Assets that are tangible or otherwise and situated in India or Germany.

Reason:

Under **Section 77 of the Companies Act, 2013**, companies are permitted to create a charge on their assets to secure borrowings or other financial liabilities. There is no restriction on the type or location of the assets over which a charge can be created, provided the assets belong to the company. These assets can be tangible (like buildings or land) or intangible (like intellectual property, such as trademarks or copyrights).

In the given scenario, ACC Private Limited has created a charge on both tangible assets (buildings in India and Germany) and intangible assets (trademark rights).

2. **Option (b)** The board cannot declare the interim dividend at a rate higher than the average dividend declared by the company immediately during preceding three financial years, i.e. 7%.

Reason:

As per Proviso to Section 129(3), the board cannot declare the interim dividend at a rate higher than the average dividend declared by the Company immediately during preceding three financial years, i.e. 7%;

3. **Option (c)** The company is required to transfer the Unpaid dividend to a separate bank account within 10 days from the date of expiry of statutory period from the date of declaration of dividend.

Reason:

As per section 124(1), where a dividend has been declared by a company but has not been paid or claimed within thirty days from the date of the

declaration to any shareholder entitled to the payment of the dividend, the company shall, within seven days from the date of expiry of the said period of thirty 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.

4. **Option (b)** Yes, as ACC Private Limited is having turnover of more than ₹ 1000 crore.

Reason:

As per Section 135(1) of the Companies Act, 2013, a company shall constitute a Corporate Social Responsibility Committee of the Board if during the immediately preceding financial year such company having:

- Net worth of ₹ 500 crore or more, or
- Turnover of ₹ 1,000 crore or more, or
- Net profit of ₹ 5 crore or more.

In this case, ACC Private Limited's turnover exceeded ₹ 1,000 crore (₹ 1010 crore).

CASE SCENARIO 3

XYZ Limited was incorporated on 1st April, 2023. The Board of Directors, within the required timeframe, appointed Mr. A as the first auditor of the company on 20th April, 2023. Mr. A was tasked with auditing the company's financial statements for the financial year 2022-23, and he held office until the conclusion of the first Annual General Meeting (AGM), which was held on 30th September, 2023.

During the AGM, the shareholders decided to appoint Mr. B, a partner in the audit firm MNO LLP, as the new auditor. MNO LLP is a limited liability partnership incorporated under the LLP Act, 2008. Mr. B and his firm were appointed to hold office from the conclusion of the 1st AGM until the conclusion of the 6th AGM in 2028.

Five years later, in 2028, the company is considering whether to reappoint Mr. B and MNO LLP for another term. The shareholders are discussing the provisions of the Companies Act, 2013, and the implications of reappointing the same auditor or audit firm for multiple terms.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5) given herein under: -

MULTIPLE CHOICE QUESTIONS

1. Who was responsible for appointing the first auditor of XYZ Limited, and within what timeframe should the appointment have been made?
 - (a) Shareholders, within 60 days of registration of company
 - (b) Board of Directors, within 30 days of registration of company
 - (c) Board of Directors, within 60 days of registration of company
 - (d) Shareholders, within 30 days of registration of company

-
2. How long can MNO LLP, as an audit firm, hold office as the auditor of XYZ Limited according to the Companies Act, 2013?
 - (a) One term of five consecutive years
 - (b) Two terms of five consecutive years
 - (c) One term of six consecutive years
 - (d) Three terms of five consecutive years
 3. If XYZ Limited wants to reappoint MNO LLP for another term after 2028, what does the Companies Act, 2013, mandate?
 - (a) MNO LLP can be reappointed for another term of five years.
 - (b) MNO LLP cannot be reappointed, as they have already served one term.
 - (c) MNO LLP cannot be reappointed, as they have already served two terms.
 - (d) MNO LLP can be reappointed, but the tenure must be reduced to three years.
 4. What is the maximum tenure for which Mr. A as the first auditor of XYZ Pvt. Limited, can hold office?
 - (a) From the date of appointment until the conclusion of the first AGM i.e. 30th September 2023
 - (b) From the date of appointment until the conclusion of the second AGM (in 2024)
 - (c) From the date of appointment until the conclusion of the third AGM (in 2025)
 - (d) From the date of registration of company until the conclusion of the first AGM i.e. 30th September 2023
 5. By what date the copy of the annual return is to be filed with the Registrar of companies in case of first AGM of XYZ Limited?
 - (a) 29th November 2023
 - (b) 30th December 2023

- (c) 31st January 2024
- (d) 29th February 2024

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** Board of Directors, within 30 days of registration of company.

Reason:

As per section 139(6) of the Companies Act, 2013, the Board of Directors must appoint the first auditor of the company within 30 days of its incorporation.

2. **Option (b)** Two terms of five consecutive years.

Reason:

According to Section 139(2) of the Companies Act, 2013, an audit firm can be appointed for two terms of five consecutive years in the case of listed companies and certain prescribed classes of companies. After completing the second term, the audit firm is ineligible for reappointment for a cooling-off period of five years. MNO LLP can thus serve for a maximum of 10 consecutive years (2 terms of 5 years each).

3. **Option (a)** MNO LLP can be reappointed for another term of five years.

Reason:

In 2028, MNO LLP will have completed its first term of five years. As per Section 139(2) of the Companies Act, 2013, MNO LLP is eligible for reappointment for a second term of five years, provided there is shareholder approval. After completing the second term, it would no longer be eligible for reappointment for the next five years.

4. **Option (a)** From the date of appointment until the conclusion of the first AGM i.e., 30th September 2023.

Reason:

As per Section 139(6) of the Companies Act, 2013, the first auditor appointed by the Board of Directors holds office from the date of their appointment until the conclusion of the company's first AGM. Mr. A was

appointed on 20th April 2023 and held office until the conclusion of the first AGM on 30th September 2023.

5. Option (a) 29th November 2023

Reason:

As per section 92(4) of the Companies Act, 2013, a company must file its annual return with the Registrar within 60 days of holding its Annual General Meeting (AGM). XYZ Limited's first AGM was held on 30th September 2023. Thus, the due date for filing the annual return is 29th November 2023.

CASE SCENARIO 4

Prakash Limited and Vasudha Private Limited (VPL) were incorporated in January 1999 by Mr. Vicky Tripathi and his family members. Both the companies are engaged in the business of manufacturing machineries used in agricultural sector. Mr. Vicky Tripathi and his younger brother Vinay Tripathi actively participate in the daily operations of both the companies. Vasudha Private Limited is wholly owned by Tripathi family, while Tripathi family has a majority stake of 51% in Prakash Limited.

Due to the poor economic conditions in the agriculture sector and shifting of the farmers' focus to more advanced farming techniques, the sales of Prakash Limited is dipping and its bottom line has been in the red for the last couple of years. The unabsorbed loss of Prakash Limited for the current financial year is ₹ 9.8 crore. Prakash Limited didn't pay any dividends during the last four years. Prakash Limited has accumulated profit in the form of free reserves of ₹ 180 crore whereas paid-up share capital is ₹ 918 crore as per its latest audited financial statement and loss of ₹ 9.8 crore has not been deducted from such amount of free reserves. Since pressure from shareholders of the free float is mounting, management at Prakash Limited decided to pay dividend this year out of accumulated profit. Finally, the dividend was declared on 31st August 2024. Some of the dividend remained unpaid as on 30th September 2024, on account of operation of law; this was transferred to unpaid Dividend Account and a statement containing only the names of such beneficiaries was hosted on the website of the company on 9th November 2024.

Vasudha Private Limited is a mid-sized unlisted entity, with few branches abroad and is not required to appoint an independent director under section 149(4). During the immediately preceding F.Y., its net worth was ₹ 280 crore, turnover was ₹ 590 crore and net profit was ₹ 45.8 crore. The profits and other information for the immediately preceding three years are given below:

Particulars	Year ended 31.3.2024 (₹ in crore)	Year ended 31.3.2023 (₹ in crore)	Year ended 31.3.2022 (₹ in crore)
Net Profit for the year as per section 198 (in accordance with applicable provisions)	41.6	42.9	28

The Board of Directors of Vasudha Private Limited is not clear whether they have to compulsorily form a CSR committee. In order to avoid adverse legal consequences, Vasudha Private Limited constituted a CSR committee comprising of two (2) non-executive directors and one (1) executive director who was appointed as chairperson of the committee.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5) given herein under:

MULTIPLE CHOICE QUESTIONS

- In case of Prakash Limited, regarding the unpaid dividend, which of the following statements is correct?
 - Prakash Limited is guilty, of non-payment of dividend, because some of the dividends remain unpaid even after 30 days of declaration.
 - Prakash Limited is guilty, because the list of beneficiaries of unpaid dividend is hosted on the website after 30 days from the date it falls in the category of unpaid dividend.
 - Prakash Limited is guilty, because the list of beneficiaries does not contain the latest known address of beneficiaries and the amount unpaid.
 - Prakash Limited is not guilty, because it has full-filled all the provisions of law pertaining to unpaid dividend.
- During the current year, is Vasudha Private Limited required to constitute CSR committee under the provisions of the Companies Act, 2013?

- (a) No, because it is a private company
 - (b) No, because it is an unlisted company and it has net-worth less than ₹ 500 crore
 - (c) Yes, because despite being unlisted company its turnover is above ₹ 500 crore
 - (d) Yes, because the company meets the threshold criteria having net profits exceeding ₹ 5 crore in the immediately preceding financial year
3. What is the implication of the fact that Prakash Limited has not paid dividends for the last four years while having free reserves?
- (a) The company is in violation of the Companies Act, 2013, for not declaring dividends.
 - (b) The shareholders can legally challenge the management for not utilizing free reserves for dividends.
 - (c) There is no legal obligation to declare dividends even if the company has free reserves.
 - (d) The company must now use all of its free reserves to pay dividends to satisfy shareholder demands.
4. Considering the legal provisions regarding the constitution of CSR committee and the one constituted by Vasudha Private Limited, state which of following the statements hold truth?
- (a) Constitution of the committee is invalid because it doesn't consist of an independent director.
 - (b) Constitution of the committee is invalid because its chairperson is an executive director.
 - (c) Constitution of the committee is valid because it depends purely upon the discretion of management.
 - (d) Constitution of the committee is valid because company is not required to appoint an independent director.

5. What is the minimum amount to be spent by Vasudha Private Limited on CSR activities for F.Y. 2024-25?
- (a) ₹ 89.06 Lakh
 - (b) ₹ 78.20 Lakh
 - (c) ₹ 75.00 Lakh
 - (d) ₹ 73.80 Lakh

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Prakash Limited is guilty, because the list of beneficiaries does not contain the latest known address of beneficiaries and the amount unpaid.

Reason:

As per section 124 of the Companies Act, 2013, where a dividend has been declared by a company but has not been paid or claimed within thirty (30) days from the date of declaration, the company shall, within seven (7) days from the expiry of the said period of 30 days, transfer the total amount of unpaid or unclaimed dividend to a special account called the Unpaid Dividend Account (UDA). The UDA shall be opened by the company in any scheduled bank.

Within 90 days of transferring any amount to the Unpaid Dividend Account, the company shall prepare a statement containing the names, last known addresses and the amount of unpaid dividend to be paid to each person and place such statement on its web-site, if any, and also on any other web-site approved by the Central Government for this purpose.

2. **Option (d)** Yes, because its net profit is above ₹ 5 crore

Reason:

A company shall constitute a Corporate Social Responsibility Committee of the Board if during the immediately preceding financial year such company having;

- a. Net worth of rupees five hundred crore or more or

- b. Turnover of rupees one thousand crore or more or
- c. Net profit of rupees five crore or more.

3. **Option (c)** There is no legal obligation to declare dividends even if the company has free reserves.

Reason:

A company is not legally required to declare dividends even if it has free reserves unless the Articles of Association or a specific agreement mandates otherwise.

4. **Option (d)** Constitution of the committee is valid because company is not required to appoint an independent director.

Reason:

Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

Proviso to section 135(1) of the Act read with Rule 5 (1) of the CSR Rule further states, where a company covered under section 135(1) but is not required to appoint an independent director under section 149(4), it shall have in its Corporate Social Responsibility Committee two or more directors, without such independent director.

5. **Option (c)** ₹ 75.00 Lakh

Reason:

According to section 135(5) of the Companies Act, 2013, the Board of every company referred to in section 135(1), shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

2% of $[(41.6+42.9+28)/3]$

CASE SCENARIO 5

Golden Limited is a listed company which is incorporated in 2013 having its registered office at Delhi and corporate office in Noida. It is registered with an authorised share capital of ₹ 20 crore divided into 2 crore equity shares of ₹ 10 each. The paid-up share capital of the company is ₹ 10 crore divided into 1 crore equity shares of ₹ 10 each. The company is in construction activities like construction of buildings, roads, etc.

On 8th January, 2022, the company incorporated a wholly owned subsidiary, D Limited which is involved in supplying of construction materials like steel, iron, cement, bricks, etc. D Limited elects to choose to prepare its first financial statements for the period from 8th January, 2022 to 31st March, 2022.

On 2nd January, 2022, Golden Limited incorporated a new wholly owned subsidiary, E Limited for providing project management consultancy service to its customers or to parent company. On 5th January, 2022, Golden Limited through its subsidiary, E Limited acquired 100% partnership interest in XYZ & Co., partnership firm. E Limited elects to choose to prepare its first financial statements for the period from 2nd January, 2022 to 31st March, 2023 and conducted its Annual General Meeting on 16th August, 2023.

On 1st July, 2022, the subsidiary company, D Limited incorporated a new wholly owned subsidiary, F Limited.

Golden Limited prepared its standalone financial statements for the year 2021-22 and presented before the Board of Directors of the company on 25th August, 2022 for their approval and the same were adopted by the shareholders in the Annual General Meeting held on 2nd September, 2022.

Golden Limited prepared its standalone and consolidated financial statements for the year 2022-23 and presented before the Board of Directors of the company on 20th August, 2023 for their approval and the same were adopted by the shareholders in the Annual General Meeting held on 26th September, 2023.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct

answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5) given herein under:

MULTIPLE CHOICE QUESTIONS

1. What is the last date for conducting AGM for E Limited?
 - (a) 30th September, 2022
 - (b) 31st December, 2022
 - (c) 30th September, 2023
 - (d) 31st December, 2023
2. What is the due date for conducting AGM for Golden Limited for the year ended March 31, 2023?
 - (a) 30th September, 2023
 - (b) 31st October, 2023
 - (c) 30th November, 2023
 - (d) 31st December, 2023
3. The Companies Act, 2013 provides that in addition to standalone financial statement, the company shall also prepare consolidated financial statements which shall also be presented at AGM. Accordingly, the consolidated financial statements of Golden Limited for the financial year ended 31st March, 2022 includes, financial statements:
 - (a) Golden Limited and D Limited
 - (b) Golden Limited, D Limited and E Limited
 - (c) Golden Limited, D Limited, E Limited and XYZ & Co., partnership firm
 - (d) Golden Limited, D Limited, E Limited, F Limited and XYZ & Co., partnership firm
4. The Companies Act, 2013 provides that in addition to standalone financial statement, the company shall also prepare consolidated financial statements which shall also be presented before AGM. Accordingly, the consolidated financial statements of Golden Limited for the financial year ended 31st March, 2023 includes:
 - (a) Golden Limited and D Limited

- (b) Golden Limited, D Limited and E Limited
 - (c) Golden Limited, D Limited, E Limited and XYZ & Co., partnership firm
 - (d) Golden Limited, D Limited, E Limited, F Limited and XYZ & Co., partnership firm
5. Please select which is the correct option/ which is the most correct statement:
- (a) Golden Limited had given the notice for holding AGM in Mumbai on Monday, 26th September, 2023 at 11.00 A.M.
 - (b) Golden Limited had given the notice for holding AGM in Delhi on Monday, 26th September, 2023 at 11.00 A.M.
 - (c) Golden Limited had given the notice for holding AGM in Noida on Tuesday, 27th September, 2023 at 11.00 A.M.
 - (d) Golden Limited had given the notice for holding AGM in Delhi on Monday, 26th September, 2023 at 8.30 A.M.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** 31st December, 2023

Reason:

Proviso to Section 96(1) provides that in case of the first annual general meeting, it shall be held within a period of nine months from the date of closing of the first financial year. In the given case, the closing of the first financial year of the Company is March 31, 2023. Hence, the last date to conduct first AGM will be 31st December, 2023.

2. **Option (a)** September 30, 2023

Reason:

Proviso to Section 96(1) provides that annual general meeting of a company shall be held within a period of six months from the date of closing of the financial year.

3. **Option (c)** Golden Limited; D Limited, E Limited and XYZ & Co., partnership firm

Reason:

Section 129(3) of the Act provides that if a company has one or more subsidiaries, it shall, in addition to standalone financial statements, prepare a consolidated financial statement of the company. In the given case for the year ended March 31, 2022, the consolidated financial statements of Golden Limited would include D Limited, E Limited and XYZ & Co., partnership firm as these entities were in existence during the year ended March 31, 2022. In the case of E Limited, the subsidiary company has an option to prepare its first financial statements for statutory filings from January 8, 2022 to March 31, 2023. However, E Limited is required to prepare its separate financial statements for the period from January 08, 2022 to March 31, 2022 only for the purpose of consolidation purpose, which can be unaudited.

4. **Option (d)** Golden Limited; D Limited, E Limited, F Limited and XYZ & Co., partnership firm

Reason:

Section 129(3) of the Act provides that if a company has one or more subsidiaries, it shall, in addition to standalone financial statements, prepare a consolidated financial statement of the company. In the given case for the year ended March 31, 2023, Golden Limited has four subsidiaries (including partnership firm), namely D Limited, E Limited, F Limited and XYZ & Co., partnership firm.

5. **Option (b)** Golden Limited had given the notice for holding AGM in Delhi on Monday, September 26, 2023 at 11.00 A.M.

Reason:

As per Section 96(2), every annual general meeting shall be called during business hours, that is, between 9 a.m. and 6 p.m. on any day that is not a National Holiday and shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situate.

CASE SCENARIO 6

ABC Limited, was incorporated on 1st January, 2023. It operates in the manufacturing sector and aims to expand its business model to include e-commerce operations. ABC Limited's first financial year ended on 31st March, 2024, and the board is preparing for its first Annual General Meeting (AGM) to present the financial statements and discuss the new business model. ABC Limited's current board consists of five directors, including two independent directors appointed in line with best corporate governance practices.

The company has a wholly owned subsidiary, XYZ Limited, which is primarily involved in research and development for new products. XYZ Limited's financial year also ended on 31st March, 2024. Additionally, ABC Limited has a 30% stake in an associate company, MNO Limited, which provides logistics and distribution services. The board is assessing if it is required to prepare consolidated financial statements (CFS) that combine the financials of ABC Limited, XYZ Limited, and MNO Limited, considering the exemptions available under the Companies Act, 2013.

The AGM agenda includes:

1. Approval of the financial statements for the financial year 2023-24.
2. Discussion of a special resolution to adopt a new e-commerce business model, which requires a threefold majority approval.
3. Approval of consolidated financial statements, if required.
4. Appointment of auditors and other general meeting proceedings.

The board has provided notice to all members about the AGM agenda, including the proposal for the special item requiring special resolution. This notice was sent by email and registered post to ensure compliance with statutory notice requirements. All shareholders, including minority stakeholders, received this notice with proof of delivery available with the company.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct

answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5) given herein under:

MULTIPLE CHOICE QUESTIONS

1. Given that ABC Limited's first financial year ended on 31st March, 2024, and it was incorporated on 1st January, 2023, what is the latest date by which ABC Limited must hold its first AGM?
 - (a) 30th September, 2024.
 - (b) 31st December, 2024.
 - (c) 31st March, 2025.
 - (d) 30th June, 2025.
2. Suppose ABC Limited holds its first AGM on 15th December, 2024. By when must it hold its subsequent AGM to remain compliant?
 - (a) 15th December, 2025.
 - (b) 30th September, 2025.
 - (c) 30th June, 2025.
 - (d) 31st March, 2025.
3. Under the Companies Act, 2013, does ABC Limited need to prepare consolidated financial statements (CFS) to present at the AGM?
 - (a) Yes, because it has one wholly owned subsidiary and an associate company.
 - (b) No, because it qualifies for exemption as a wholly owned subsidiary.
 - (c) Yes, only if XYZ Limited and MNO Limited are listed companies.
 - (d) No, if shareholders provide written consent exempting it from CFS preparation.
4. What must ABC Limited ensure to pass the special resolution approving the adoption of a new e-commerce business model at the AGM?
 - (a) The resolution must have more than 50% of votes in favor.

- (b) The resolution must be stated as special in the notice, and votes in favor must be three times the votes against.
 - (c) The resolution can be passed if votes in favor exceed votes against without being stated as special.
 - (d) The resolution must have unanimous support from the board of directors.
5. Under which conditions would ABC Limited be exempt from preparing consolidated financial statements?
- (a) If ABC Limited is a wholly owned subsidiary, all members agree in writing to the exemption, and proof of delivery of this intimation is available.
 - (b) If XYZ Limited's shareholders unanimously agree to waive CFS requirements.
 - (c) If MNO Limited's financials are not significant to ABC Limited's overall financial position.
 - (d) If ABC Limited's board decides to skip CFS preparation with a simple majority vote.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** 31st December 31, 2024.

Reason:

Section 2(41) defines Financial year, in relation to any company or body corporate, means the period ending on the 31st day of March every year, and where it has been incorporated on or after the 1st day of January of a year, the period ending on the 31st day of March of the following year, in respect whereof financial statement of the company or body corporate is made up.

As per the Companies Act, 2013, the first AGM must be held within nine months from the end of the first financial year. Since ABC Limited's financial year ended on 31st March, 2024, the latest date for holding the first AGM is 31st December, 2024.

2. **Option (b)** 30th September, 2025.

Reason:

The Companies Act mandates that subsequent AGMs must be held within six months from the end of the financial year and within a maximum gap of 15 months between AGMs.

3. **Option (a)** Yes, because it has one wholly owned subsidiary and an associate company.

Reason:

The Companies Act requires companies with subsidiaries or associates to prepare consolidated financial statements unless they meet specific exemption criteria. ABC Limited does not meet the exemption criteria, so it must prepare and present CFS at the AGM.

4. **Option (b)** The resolution must be stated as special in the notice, and votes in favor must be three times the votes against.

Reason:

Section 114(2) requires that for a resolution to be considered special, it must be specified as such in the notice, and the votes in favor must be at least three times the votes against.

5. **Option (a)** If ABC Limited is a wholly owned subsidiary, all members agree in writing to the exemption, and proof of delivery of this intimation is available.

Reason:

A company is exempt from CFS preparation if it is a wholly or partially owned subsidiary and all members provide written consent, with proof of this intimation available with the company.

CASE SCENARIO 7

Tejas Infra Limited was incorporated by Tejasvi Singh and his wife Meenakshi along with seven other family members in the year 2001 with an aim to undertake infrastructure projects relating to transportation in the country. The company had successfully completed construction of roads and canals in Delhi, UP and Chandigarh and rose to become one of the prominent construction companies in India.

The Registered Office of the company is situated in Connaught Place, New Delhi with a capital base of ₹ 100 crore divided into ten crore equity shares of ₹10 each. The company has eight directors of which three are independent directors. In the year 2019, the company got new projects from the State Government of Punjab to build four flyovers and underpasses in different cities of Punjab.

In order to increase its capital base, Tejas Infra Limited decided to issue 1,00,000 preference shares of ₹ 100 each to the existing shareholders. For this, purpose it was decided to increase the Authorised Capital by ₹ 500,00,000 divided into 5,00,000 shares of ₹ 100 each.

The projects went off well and the turnover rose to the tune of ₹ 3600 crore in the immediately preceding financial year 2022-23. The net worth of the company stood at ₹ 550 crore.

As they crossed the threshold limit in the immediately preceding financial year 2022-23, a Board level Committee headed by one of the independent directors, namely, Paritosh was constituted to allocate budget, review the progress and provide guidance on various Corporate Social Responsibility (CSR) and sustainability initiatives. It was decided to spend the requisite amount towards skill development, vocational training, provision of safe drinking water facility, etc. Lokesh, one of the directors, is also a member of this Corporate Social Responsibility Committee. He is in favour of Janta Andolan Manch, a political party. This party is quite prominent in undertaking social work. As per his advice, the Board by a unanimous resolution resolved to contribute ₹ 5,00,000 to the said political party i.e. Janta Andolan Manch and to treat such contribution as part of CSR activity.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-4) given herein under:

MULTIPLE CHOICE QUESTIONS

1. From the case scenario, it is evident that Tejas Infra Limited decided to issue 1,00,000 preference shares of ₹ 100 each to the existing shareholders. From the options given below choose the one which indicates the maximum period which is permitted to the company for redemption of preference shares.
 - (a) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty-five years for redemption of preference shares subject to the condition that it shall redeem minimum 20% of preference shares per year commencing from 31st year onwards or earlier, on proportionate basis at the option of preference shareholders.
 - (b) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty-five years for redemption of preference shares subject to the condition that it shall redeem minimum 10% of preference shares per year commencing from 26th year onwards or earlier, on proportionate basis at the option of preference shareholders.
 - (c) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty years for redemption of preference shares subject to the condition that it shall redeem minimum 10% of preference shares per year commencing from 21st year onwards or earlier, on proportionate basis, at the option of preference shareholders.
 - (d) Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty years for redemption of preference shares subject to the condition that it shall redeem minimum 20% of preference shares per year commencing from 26th

year onwards or earlier, on proportionate basis, at the option of preference shareholders.

2. The case scenario states that the turnover of Tejas Infra Limited rose to the tune of ₹ 3600 crore and net worth of the company stood at ₹ 550 crore in the immediately preceding financial year 2022-23 which required formation of CSR Committee. What is the third criterion which if crossed shall also require that a CSR Committee be formed. Choose the correct option from those stated below:
 - (a) The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ two crore or more in the immediately preceding financial year.
 - (b) The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ three crore or more in the immediately preceding financial year.
 - (c) The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ five crore or more in the immediately preceding financial year.
 - (d) The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ six crore or more in the immediately preceding financial year.
3. According to the legal provisions, it is mandatory to redeem preference shares at the stipulated time. Keeping in view the above case scenario, which source is required to be used by Tejas Infra Limited for the redemption of outstanding preference shares:
 - (a) Tejas Infra Limited is required to redeem preference shares out of the profits which would otherwise be available for dividend.
 - (b) Tejas Infra Limited is required to redeem preference shares out of the proceeds of a fresh issue of shares made for the purposes of such redemption.
 - (c) Both (a) and (b).
 - (d) Tejas Infra Limited is required to redeem preference shares out of its Capital Redemption Reserve.

4. While constituting a CSR Committee, how many minimum directors are required to be appointed by Tejas Infra Limited:
- (a) CSR Committee formed by Tejas Infra Limited shall have minimum two directors.
 - (b) CSR Committee formed by Tejas Infra Limited shall have minimum three directors of which at least one director shall be an independent director.
 - (c) CSR Committee formed by Tejas Infra Limited shall have minimum four directors of which at least one director shall be an independent director.
 - (d) CSR Committee formed by Tejas Infra Limited shall have minimum four directors of which at least two directors shall be independent director.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Tejas Infra Limited being involved in infrastructural activities is permitted to specify maximum period of thirty years for redemption of preference shares subject to the condition that it shall redeem minimum 10% of preference shares per year commencing from 21st year onwards or earlier, on proportionate basis, at the option of preference shareholders.

Reason:

First Proviso to Section 55 (2) and Rule 10 of the Companies (Share Capital and Debentures) Rules, 2014. A combined reading indicates that a company engaged in infrastructural projects (specified in Schedule VI) is permitted to issue preference shares for a maximum period not exceeding thirty years subject to the redemption of minimum 10% of preference shares per year commencing from 21st year onwards or earlier, on proportionate basis, at the option of preference shareholders.

2. **Option (c)** The third criterion which also requires formation of CSR Committee is that the company has net profit of ₹ five crore or more in the immediately preceding financial year.

Reason:

As per Section 135(1) of the Companies Act, 2013, a company shall constitute a Corporate Social Responsibility Committee of the Board if during the immediately preceding financial year such company having:

- Net worth of ₹ 500 crore or more, or
- Turnover of ₹ 1,000 crore or more, or
- Net profit of ₹ 5 crore or more.

3. **Option (c)** Both (a) and (b)

Reason:

Refer Clause (a) of Second Proviso to Section 55 (2) according to which preference shares shall be redeemed out of the profits which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purposes of such redemption.

4. **Option (b)** CSR Committee formed by Tejas Infra Limited shall have minimum three directors of which at least one director shall be an independent director.

Reason:

Section 135 (1) of the Companies Act, 2013, requires CSR Committee to consist of minimum three directors of which at least one director shall be an independent director.

CASE SCENARIO 8

Showcasing his designing and oratorical skills by winning laurels in creativity and debate competitions, both at inter-house and inter-school level, Shauryansh driven by the same zeal and passion to create visually appealing designs and getting inspiration from his two role models, namely, Paula Scher and David Carson, the world-famous graphic designers, underwent a six months' graphic designing course from Passion Academics, New Delhi and thereby learnt essential tools like Adobe-photoshop, Adobe-illustrator, Adobe-dimension, etc. He also successfully completed the Digital Marketing Course.

With a view to translating his passion into profession to create visually appealing and attractive designs which would be impactful and memorable, he thought of incorporating his very own One Person Company with ₹ 20 lakh as Authorised Capital and Registered Office to be situated at Karol Bagh, New Delhi.

As to the choosing of nominee for his One Person Company, Shauryansh discussed the matter with his sister Shivangi, who was about two years younger than him, to seek her consent for becoming nominee and she, without any hesitation, agreed to the proposal.

Shauryansh was lucky enough to get sanctioned the name of his company as Graphixz Creations Private Limited (One Person Company) from the jurisdictional Registrar of Companies; the one he preferred the most. He got it incorporated after submitting requisite documents and obtained the Certificate of Incorporation.

It is worth mentioning that he thought of undertaking his current business in the form of One Person Company for two reasons. Firstly, it would help him gain full control over his business, give him entitlement to all of its profits and, on top of it, his liability would also be restricted only to the amount of subscribed capital. Secondly, he understood this form of ownership very well since he was the nominee for the past five years in his maternal uncle Sarvesh's One Person Company known by the name Shruti TalkingWaves Private Limited (One Person Company).

Earlier, Sarvesh served as Chief Engineer in a Government Company dealing with various IT matters and after he had proceeded for his superannuation some six years back, he ventured upon to commence his own One Person Company, handling business of his immense interest as a transcriptionist where he converted audio/video files to written documents from the comfort of his house.

Time passed on. Shauryansh's company, which satisfactorily provided a wide spectrum of services such as web development, website designing, graphic designing, 3D product videos, etc., is now six years old. By this time, the company had more than five hundred clients with around fifty websites delivered immaculately. He had a team of passionate individuals who were on a mission to make the digital world a beautiful place to see, use, feel and experience. Accordingly, his company also had a mark in developing impactful digital solutions with best-in-class industry standards. The company built and transformed businesses by customizing market leading digital products platforms like applications and websites and provided digital marketing services for them that fuelled their growth. In order to keep pace with the changing technology and growing business opportunities, he is contemplating to rope in his life partner Sharmeela and to convert Graphixz Creations Private Limited (One Person Company) into a private limited company.

On the other hand, his sister Shivangi, nominee in Graphixz Creations Private Limited (One Person Company), was not far behind. After participating in cookery-based TV shows and attaining top position or second-best position almost every time among those who participated, she started her own venture along with her class-mate Mitali by incorporating a private limited company, namely, Vanilla Point Private Limited to make various types of cookies, cakes, biscuits and puddings. The Authorised Capital of her company was ₹ 10.00 crore and paid-up capital was ₹ 6.00 crore; its Registered Office was situated at Rajendra Place, New Delhi. As of now the number of shareholders is fifty-five of which three shareholders are in employment of the company whereas other two shareholders who purchased the shares of the company while in employment of Vanilla Point Private Limited, left the company some six months before and joined another company.

Admiring the success of Shauryansh's art form which combined creativity, technology and patience to meet the taste of the target users, Shivangi requested his brother to be a Director (Marketing) in her company to which he agreed. Everything was going fine when his Maternal Uncle Sarvesh could not recover from his brief illness leaving the entire family shattered and grief-stricken.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-6) given herein under:

MULTIPLE CHOICE QUESTIONS

1. The Case Scenario states that Shauryansh discussed the matter of nomination with his younger sister Shivangi to seek her consent for becoming nominee in his Graphixz Creations Private Limited (One Person Company) and she, without any hesitation, agreed to the proposal. You are required to choose the correct option from those mentioned below as to the formalities Shauryansh must have completed while making Shivangi nominee:
 - (a) In order to make Shivangi nominee in Graphixz Creations Private Limited (One Person Company), Shauryansh must have obtained a written consent letter from her and stated her name (as nominee) in the Memorandum of Association under Nomination Clause.
 - (b) In order to make Shivangi nominee in Graphixz Creations Private Limited (One Person Company), Shauryansh must have obtained a written consent letter from her and stated her name (as nominee) in the Articles of Association under Nomination Clause.
 - (c) In order to make Shivangi nominee in Graphixz Creations Private Limited (One Person Company), Shauryansh must have filed her written consent letter along with other documents at the time of incorporation without stating her name (as nominee) either in the Memorandum of Association or Articles of Association since there is no such requirement.

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- (d) In order to make Shivangi nominee in Graphixz Creations Private Limited (One Person Company), Shauryansh must have obtained a written consent letter from her within fifteen days after incorporation of the company and kept the same in the records maintained at the Registered Office.
2. The Case Scenario mentions that the younger sister of Shauryansh started her own venture along with her class-mate Mitali by incorporating a private limited company, namely, Vanilla Point Private Limited, in which there are fifty-five shareholders of which two are ex-employees and the other three are still in employment of the company. You are required to choose the correct option from those stated below as to maximum how many more persons can be allotted shares in the company:
- (a) As regards the addition of more persons as shareholders, Vanilla Point Private Limited can issue shares to maximum one hundred and forty-five persons.
- (b) As regards the addition of more persons as shareholders, Vanilla Point Private Limited can issue shares to maximum one hundred and fifty persons.
- (c) As regards the addition of more persons as shareholders, Vanilla Point Private Limited can issue shares to maximum one hundred and twenty persons.
- (d) As regards the addition of more persons as shareholders, Vanilla Point Private Limited can issue shares to maximum two hundred and fifty persons.
3. Choose the correct option from those stated below as to the circumstances under which Shauryansh shall be mandatorily required to convert its Graphixz Creations Private Limited (One Person Company) into either private limited company or public limited company:
- (a) Shauryansh shall be mandatorily required to convert its Graphixz Creations Private Limited (One Person Company) either into a private limited company or public limited company when the paid-up capital of the company exceeds ₹ fifty lakh or the average turnover during the relevant period exceeds ₹ two crore.

- (b) Shauryansh shall be mandatorily required to convert its Graphixz Creations Private Limited (One Person Company) either into a private limited company or public limited company when the paid-up capital of the company exceeds ₹ seventy-five lakh or the average turnover during the relevant period exceeds ₹ three crore.
 - (c) Shauryansh shall be mandatorily required to convert its Graphixz Creations Private Limited (One Person Company) either into a private limited company or public limited company when the paid-up capital of the company exceeds Re. one crore or the average turnover during the relevant period exceeds ₹ four crore.
 - (d) Under no circumstances shall Shauryansh be mandatorily required to convert its Graphixz Creations Private Limited (One Person Company) either into a private limited company or public limited company though he can opt for conversion as and when he likes.
4. The Case Scenario mentions that the younger sister of Shauryansh started her own venture along with her class-mate Mitali by incorporating a private limited company, namely, Vanilla Point Private Limited, to make various types of cookies, cakes, biscuits and puddings. According to you, in case the company contemplates converting itself into a One Person Company with Shivangi becoming the sole owner of OPC (at present she holds sixty one percent shares), then which type of resolution needs to be passed:
- (a) Vanilla Point Private Limited, in order to convert itself into One Person Company, shall be required to pass a Board Resolution with all the directors attending the Board Meeting consenting to the proposal in addition to obtaining 'No Objection' in writing from the members and creditors.
 - (b) Vanilla Point Private Limited, in order to convert itself into One Person Company, shall be required to pass an Ordinary Resolution at the General Meeting authorizing the proposal in addition to obtaining 'No Objection' in writing from the members and creditors.
 - (c) Vanilla Point Private Limited, in order to convert itself into One Person Company, shall be required to pass an Ordinary Resolution at the General Meeting authorizing the proposal and thereafter

seeking the approval of jurisdictional Registrar of Companies in addition to obtaining 'No Objection' in writing from the members and creditors.

- (d) Vanilla Point Private Limited, in order to convert itself into One Person Company, shall be required to pass a Special Resolution at the General Meeting authorizing the proposal in addition to obtaining 'No Objection' in writing from the members and creditors.
5. According to Case Scenario, Shauryansh's maternal uncle Sarvesh, who had incorporated Shruti TalkingWaves Private Limited (One Person Company) and in which Shauryansh was a nominee, could not recover from his brief illness; and because of this sad happening Shauryansh had automatically attained the position of member from that of a nominee. You are required to choose the correct option from those stated below as to maximum within how many days Shauryansh has to ensure that either he continues to remain member in Graphixz Creations Private Limited (One Person Company) or resign from it and start afresh as member of Shruti TalkingWaves Private Limited (One Person Company):
- (a) Keeping in view the above circumstances, Shauryansh has to ensure maximum within sixty days that either he continues to remain member in Graphixz Creations Private Limited (One Person Company) or leave it and start afresh as member of Shruti TalkingWaves Private Limited (One Person Company).
 - (b) Keeping in view the above circumstances, Shauryansh has to ensure maximum within one hundred and eighty days that either he continues to remain member in Graphixz Creations Private Limited (One Person Company) or leave it and start afresh as member of Shruti TalkingWaves Private Limited (One Person Company).
 - (c) Keeping in view the above circumstances, Shauryansh has to ensure maximum within ninety days that either he continues to remain member in Graphixz Creations Private Limited (One Person Company) or leave it and start afresh as member of Shruti TalkingWaves Private Limited (One Person Company).

- (d) Keeping in view the above circumstances, Shauryansh has to ensure maximum within two hundred and seventy days that either he continues to remain member in Graphixz Creations Private Limited (One Person Company) or leave it and start afresh as member of Shruti TalkingWaves Private Limited (One Person Company).
6. Regarding carrying out Non-banking financial investment activities including investment in securities of any body corporates, Shauryansh would like to know as to when Graphixz Creations Private Limited (One Person Company) can undertake such activity. Choose the apt answer from those given below:
- (a) Graphixz Creations Private Limited (One Person Company) can undertake carrying out Non-banking financial investment activities including investment in securities of any body corporates only when its paid-up capital is raised to minimum Re. one crore.
- (b) Graphixz Creations Private Limited (One Person Company) can undertake carrying out Non-banking financial investment activities including investment in securities of any body corporates only when its paid-up capital is raised to minimum ₹ one crore and fifty lakh.
- (c) Graphixz Creations Private Limited (One Person Company) can undertake carrying out Non-banking financial investment activities including investment in securities of any body corporates only when its paid-up capital is raised to minimum ₹ five crore.
- (d) Graphixz Creations Private Limited (One Person Company) cannot undertake carrying out Non-banking financial investment activities including investment in securities of any body corporates irrespective the quantum of its paid-up capital.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** In order to make Shivangi nominee in Graphixz Creations Private Limited (One Person Company), Shauryansh must have obtained a written consent letter from her and stated her name (as nominee) in the Memorandum of Association under Nomination Clause.

Reason:

According to Section 3(1)(c) of the Companies Act, 2013, the Memorandum of Association (MoA) of a One Person Company (OPC) must state the name of the nominee under the Nomination Clause. Additionally, Rule 4(2) of the Companies (Incorporation) Rules, 2014 specifies that a nominee must provide a written consent in Form INC-3, which is submitted along with the incorporation documents. Hence, stating the nominee's name in the MoA and obtaining a written consent letter from Shivangi would have been mandatory.

2. **Option (b)** As regards the addition of more persons as shareholders, Vanilla Point Private Limited can issue shares to maximum one hundred and fifty persons.

Reason:

Under Section 2(68) of the Companies Act, 2013, the number of shareholders in a private limited company is restricted to 200, excluding present employees or ex-employees who became shareholders while in employment.

In the given case:

- Total shareholders = 55.
- Three shareholders are current employees.
- Two ex-employees who purchased shares while in employment are excluded from the count.

Thus, Vanilla Point Private Limited can issue shares to $200 - [55 - 3 - 2] = 150$ persons more.

3. **Option (d)** Under no circumstances shall Shauryansh be mandatorily required to convert its Graphixz Creations Private Limited (One Person Company) either into a private limited company or public limited company though he can opt for conversion as and when he likes.

Reason:

Refer Section 18 and Rule 6 of the Companies (Incorporation) Rules, 2014 as amended by the Companies (Incorporation) Second Amendment Rules,

2021, w.e.f. 01-04-2021. Prior to the amendment Rule 6 prescribed threshold limits for conversion of One Person Company.

4. **Option (d)** Vanilla Point Private Limited, in order to convert itself into One Person Company, shall be required to pass a Special Resolution at the General Meeting authorizing the proposal in addition to obtaining 'No Objection' in writing from the members and creditors.

Reason:

Refer Section 18 and Rule 7 of the Companies (Incorporation) Rules, 2014
According to Rule 7(4) of the Companies (Incorporation) Rules, 2014, for a private company to convert into an OPC, it must:

1. Pass a Special Resolution at the General Meeting, and
2. Obtain a No Objection Certificate (NOC) in writing from members and creditors.

Thus, option (d) is the correct answer.

5. **Option (b)** Keeping in view the above circumstances, Shauryansh has to ensure maximum within one hundred and eighty days that either he continues to remain member in Graphixz Creations Private Limited (One Person Company) or leave it and start afresh as member of Shruti TalkingWaves Private Limited (One Person Company).

Reason:

Refer Section 3 and Sub-rules (2) and (3) of Rule 3 of the Companies (Incorporation) Rules 2014.

6. **Option (d)** Graphixz Creations Private Limited (One Person Company) cannot undertake carrying out Non-banking financial investment activities including investment in securities of any body corporates irrespective the quantum of its paid-up capital.

Reason:

As per Rule 3(7) of the Companies (Incorporation) Rules, 2014, an OPC cannot carry out Non-Banking Financial Investment (NBFI) activities, including investment in securities of any body corporates, regardless of its paid-up share capital. This restriction applies to all OPCs without exceptions. Hence, option (d) is correct.

CASE SCENARIO 9

After winning several awards for acting in dramas and various functions both at school and college levels, Ananda joined the famous 'Film and TV Institute of India' of Mumbai to undergo a course in 'direction'. In the first week itself, after joining the course, he struck a distinct friendship chord with Krishna who had taken admission to pursue course relating to 'sound-recording and television engineering'. Once their courses were successfully finished, they toyed with the idea of forming a public limited company and accordingly, incorporated Kreative Film Production Limited with Authorised Capital of ₹ twenty-five crore (two crore fifty lakh equity shares of the face value of ₹ 10 each). As at the end of the Financial Year 2023-24, the paid-up capital stood at ₹ twenty-one crore owned by five hundred and fifty shareholders. In addition to themselves, Ananda being Managing Director (MD) and Krishna being Whole-time Director (WTD), they roped in the following distinguished persons as directors:

1. Sanjeet (Director and Script writer);
2. Eish (Director - Production segment);
3. Kunal (Director and Camera in-charge);
4. Mehak (Director and Set designer); and
5. Riya (Director - Graphic engineering, audio/video editor and lighting-in-charge).

All the above-mentioned persons were very talented, artistic and could think out of the box. Besides handling their own portfolios, they were also members of the creative team duly assisted by other brilliant persons employed by the company. The company produced the reality game shows and poetry series for which Ananda and Krishna were honoured with Indian Tele-award.

Feeling confident, the promoters Ananda and Krishna thought of producing a sitcom 'Bhagambhag'. For this comedy show, they asked their directors to think of humorous stories based on Indian ethics and values which would talk about a multitude of social issues and create awareness about them in its own light-hearted manner.

The filming for the series took place in Film City in Mumbai. Ananda and Krishna approached Prabhat TV Entertainment, an Indian Classic and General Entertainment TV Channel to host the series of their sitcom which was accepted with requisite conditions.

In order to save the title 'Bhagambhag', its characters and other intellectual property from getting infringed or copied by Social Media Accounts, websites, YouTube Channels, illegally using its characters, producing animations, AI-generated images, Deepfakes featuring the characters of the show, the company got the rights in the nature of Intellectual Property Rights (IPR).

The show was a hit with the national audiences and moreover, it gave strict competition to the other usual family dramas broadcasted on various TV channels. In the course of time, the director-writer Sanjeet received the best sitcom writer award too.

The company decided to motivate their think-tank team of 'creative directors' including Ananda and Krishna by issuing Sweat Equity shares of the value of ₹ 1,40,00,000. These directors had played a pivotal role in developing the episodes and thereby the situational/comedy show. Accordingly, the Board of Directors in its meeting held on 7th June, 2024 approved the issue of Sweat Equity shares. These shares were offered for no monetary consideration, compensating the recipients for their non-cash contribution to the company's growth and success. The sweat equity shares aligned the interest of directors with those of the shareholders. This issue not only rewarded the expertise and innovativeness of all the directors but also helped the company retain valuable talent while managing cash-flow efficiently. The issue did not involve an immediate cash outflow and helped the company conserve cash which would then be re-invested into various activities including operations, marketing and production.

It is worth noting that following the earlier precedents, Kreative Film Production Limited declared dividend of 10% at its Annual General Meeting (AGM) which was held on 6th September, 2024, with an obligation to deposit the amount in a separate account maintained with its banker State Bank of India within the specified time period from the date of declaration of such dividend. However, the deposit of the amount of dividend was delayed until 24th September, 2024. Due to this, the company faced legal consequences.

In order to expand its horizon, Kreative Film Production, led by Ananda and Krishna, is contemplating acquiring shares of Scenic Reels and Motion Pictures Private Limited to the extent of 60% before the end of the Financial Year 2024-25 which will give fillip to its existing business; and also making Scenic Reels and Motion Pictures Private Limited to become its subsidiary. Presently, Scenic Reels and Motion Pictures Private Limited holds one thousand equity shares of Kreative Film Production Limited.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5) given herein under:

MULTIPLE CHOICE QUESTIONS

1. The Case Scenario states that Kreative Film Production Limited decided to issue Sweat Equity shares of the value of ₹ 1,40,00,000 to the think-tank team of 'creative directors' including Ananda and Krishna. Keeping in view the applicable provisions, choose the correct option from those stated below as to who must have been given the responsibility to determine the fair price for valuation of such shares:
 - (a) Niranjan, a Chartered Accountant by profession, who headed the Accounts Department of Kreative Film Production Limited must have been given the responsibility to determine the fair price for valuation of the Sweat Equity shares which were to be issued to the think-tank team of 'creative directors' including Ananda and Krishna.
 - (b) Swapnil Divya & Associates, a firm of practicing Chartered Accountants, must have been given the responsibility to determine the fair price for valuation of the Sweat Equity shares which were to be issued to the think-tank team of 'creative directors' including Ananda and Krishna.
 - (c) Shalabh Ranjan, a registered valuer, must have been given the responsibility to determine the fair price for valuation of the Sweat

Equity shares which were to be issued to the think-tank team of 'creative directors' including Ananda and Krishna.

- (d) All the directors of Kreative Film Production Limited, unanimously, must have determined the fair price for valuation of the Sweat Equity shares which were to be issued in the course of time to the think-tank team of 'creative directors' including Ananda and Krishna.
2. Which type of resolution must have been passed by Kreative Film Production Limited for authorizing the issue of Sweat Equity shares to the think-tank team of 'creative directors' including Ananda and Krishna:
- (a) The issue of Sweat Equity shares must have been authorised by passing a Board Resolution with all the directors who were present at the Board Meeting casting their votes in favour of the issue.
 - (b) The issue of Sweat Equity shares must have been authorised by passing a special resolution at the General Meeting of Kreative Film Production Limited.
 - (c) The issue of Sweat Equity shares must have been authorised by passing an ordinary resolution at the General Meeting of Kreative Film Production Limited and thereafter, it must have been approved by the jurisdictional Registrar of Companies.
 - (d) The issue of Sweat Equity shares must have been authorised by the shareholders who held a minimum of ninety percent of equity shares in value.
3. It is assumed that even after becoming its subsidiary, Scenic Reels and Motion Pictures Private Limited continues to hold 1000 equity shares of Kreative Film Production Limited. Choose the appropriate option from those given below as to whether or not Scenic Reels and Motion Pictures Private Limited is required to transfer 1000 equity shares of Kreative Film Production Limited after becoming its subsidiary:
- (a) Scenic Reels and Motion Pictures Private Limited is not required to transfer 1000 equity shares of Kreative Film Production Limited even after becoming its subsidiary and may continue to hold them but it

shall not be able to exercise any voting rights in the general meeting of Kreative Film Production Limited.

- (b) Scenic Reels and Motion Pictures Private Limited is not required to transfer 1000 equity shares of Kreative Film Production Limited even after becoming its subsidiary and may continue to hold them but its right to vote shall be curtailed by 50% when any general meeting of Kreative Film Production Limited is held at a future date.
 - (c) Scenic Reels and Motion Pictures Private Limited shall be required to transfer 1000 equity shares to the nominated person of Kreative Film Production Limited within one month from the date it becomes its subsidiary and cannot continue to hold such shares.
 - (d) Scenic Reels and Motion Pictures Private Limited shall be required to transfer 1000 equity shares to the nominated person of Kreative Film Production Limited within three months from the date it becomes its subsidiary and cannot continue to hold such shares.
4. From the Case scenario, it is evident that Kreative Film Production Limited declared dividend of 10% at its Annual General Meeting (AGM) which was held on September 6, 2024, but the deposit of amount of dividend in the separate account maintained with its banker State Bank of India was delayed until September 24, 2024. You are required to choose the correct option from those mentioned below as to the maximum time period within which the amount of declared dividend was required to be deposited in the separate account:
- (a) Kreative Film Production Limited was required to deposit the amount of declared dividend in the separate account maintained with its banker State Bank of India maximum within two days from the date of declaration of dividend *i.e.* 6th September, 2024.
 - (b) Kreative Film Production Limited was required to deposit the amount of declared dividend in the separate account maintained with its banker State Bank of India maximum within five days from the date of declaration of dividend *i.e.* 6th September, 2024.
 - (c) Kreative Film Production Limited was required to deposit the amount of declared dividend in the separate account maintained

with its banker State Bank of India maximum within three days from the date of declaration of dividend *i.e.* 6th September, 2024.

- (d) Kreative Film Production Limited was required to deposit the amount of declared dividend in the separate account maintained with its banker State Bank of India maximum within seven days from the date of declaration of dividend *i.e.* 6th September, 2024.
5. Keeping in view the relevant legal provisions, select the appropriate option from those given hereunder as to the maximum limit up to which Kreative Film Production Limited is permitted to issue Sweat Equity shares in any year:
- (a) In any year Kreative Film Production Limited is permitted to issue Sweat Equity shares maximum up to 15% of its paid-up capital or ₹ five crore whichever is higher.
- (b) In any year Kreative Film Production Limited is permitted to issue Sweat Equity shares maximum up to 15% of its paid-up capital or ₹ two crore whichever is higher.
- (c) In any year Kreative Film Production Limited is permitted to issue Sweat Equity shares maximum up to 15% of its paid-up capital or ₹ three crore whichever is higher.
- (d) In any year Kreative Film Production Limited is permitted to issue Sweat Equity shares maximum up to 20% of its paid-up capital or ₹ four crore whichever is higher.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Shalabh Ranjan, a registered valuer, must have been given the responsibility to determine the fair price for valuation of the Sweat Equity shares which were to be issued to the think-tank team of 'creative directors' including Ananda and Krishna.

Reason:

Refer Section 54 and Rule 8 (6) of the Companies (Share Capital and Debentures) Rules, 2014.

Under Section 54 of the Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014, the valuation of sweat equity shares must be conducted by a registered valuer, as per Rule 8(6). A registered valuer is a professional certified to perform valuation tasks for various purposes under the Companies Act.

2. **Option (b)** The issue of Sweat Equity shares must have been authorised by passing a special resolution at the General Meeting of Kreative Film Production Limited.

Reason:

As per Section 54(1) of the Companies Act, 2013, the issue of sweat equity shares must be authorized by a special resolution passed at a general meeting of the company. The resolution must specify the number of shares, the current market price, the consideration (if any), and other relevant details.

3. **Option (a)** Scenic Reels and Motion Pictures Private Limited is not required to transfer 1000 equity shares of Kreative Film Production Limited even after becoming its subsidiary and may continue to hold them but it shall not be able to exercise any voting rights in the general meeting of Kreative Film Production Limited.

Reason:

Refer Section 19 of the Companies Act, 2013.

4. **Option (b)** Kreative Film Production Limited was required to deposit the amount of declared dividend in the separate account maintained with its banker State Bank of India maximum within five days from the date of declaration of dividend i.e. 6th September, 2024.

Reason:

Refer Section 123 (4) of the Companies Act, 2013.

5. **Option (a)** In any year Kreative Film Production Limited is permitted to issue Sweat Equity shares maximum up to 15% of its paid-up capital or ₹ five crore whichever is higher.

Reason:

Refer Section 54 and Rule 8 (4) of the Companies (Share Capital and Debentures) Rules, 2014.

CASE SCENARIO 10

Based at Manipal, Karnataka, Jatindrarangam Iron Works Private Limited is an integrated set up of foundries and machine shops that adds value by machining more than 75% of its castings into fully finished products. While serving its customers globally, Jatindrarangam Iron Works is considered one of the largest jobbing foundries which manufactures grey iron castings required for sectors like automobiles, farm equipment, diesel engines, etc. It is noteworthy that the turnover of the company in the last financial year 2023-24 was to the extent of ₹ 650 crore and it included export turnover of about ₹ 250 crore. The Authorised Capital of the company is 100 crore divided into 10 crore equity shares of ₹ 10 each; while the paid-up capital is ₹ 75 crore. Following persons hold the office of directorship in the company:

1. Jagadayu - Managing Director (MD)
2. Jagatbandhu (younger brother of Jagadayu) – Whole-time Director (WTD)
3. Jatindra (son of Jagadayu) – Director (Operations)
4. Jigyasa (daughter of Jagadayu) – Director (Engineering & Human Resource Department)
5. Jeevika (daughter of Jagatbandhu) – Director (Marketing)

In order to meet constant surging demand of its customers, both from India and overseas, Jatindrarangam Iron Works is planning expansion to enhance its production capacity; and for this purpose, from the onset of the financial year 2024-25, the directors held a number of Board meetings and had fruitful discussions relating to this issue. The end result of the deliberations was to import a fully automatic Plant and Equipment from Germany for the unit at Manipal and also to acquire a 'machining unit' abroad at Nairobi, Kenya for its wholly owned subsidiary (WoS), namely, Jatindrarangam Machining Private Limited (JMPL). Chief Financial Officer (CFO) Krishnan was given free hand to arrange finances for the expansion projects. Accordingly, the means of finance were decided as under:

- (a) Jatindrarangam Iron Works would receive an amount of ₹ 10 crore, without providing any security, from Shwetamalini, wife of Jagadayu (MD),

to be repaid in next three years, in three yearly instalments of ₹ 2 crore in the first year, ₹ 3 crore in the second year and ₹ 5 crore in the third year. In fact, Jagadayu and his younger brother Jagatbandhu, being promoters, had earlier incorporated the present company. Jagadayu instructed Sachin, Company Secretary of the company, to complete the requisite compliances, if any, needed from the perspective of acceptance of such amount from his wife, Shwetamalini.

- (b) As per the instructions of the Board of Directors of Jatindrarangam Iron Works, CFO Krishnan approached the main banker of the company viz., Towering Capital Bank Limited, which after proper credit analysis, sanctioned various amount as under:
1. A term loan of ₹ 30 crore to the company, for importing the fully automatic Plant and Equipment from Germany for the expansion project for the unit at Manipal against the security of the assets imported along with the land and factory building situated at Manipal. The term loan would be repayable in six yearly instalments of ₹ 5.00 crore each. The repayment shall start after a moratorium of one year. The interest shall be paid as and when it becomes due. In addition, the company was also sanctioned interchangeable non-funded limits for foreign Letters of Credit and bank guarantees totalling to ₹ 15 crore against the personal guarantees of all the directors.
 2. Along with the aforesaid term loan, Jatindrarangam Iron Works was also sanctioned an additional amount of ₹ 20 crore for meeting the working capital needs of the expansion project, which included interchangeable limits of cash credit, foreign and inland bills for negotiation. The security cover was floating charge on the book debts, inventory and other current assets involved in the expansion project of Jatindrarangam Iron Works in Manipal.
 3. Further, a term loan of ₹ 25 crore, repayable in five years was also sanctioned for acquisition of the 'machining plant' along with land and building at Nairobi, Kenya for its wholly owned subsidiary (WoS), i.e., - Jatindrarangam Machining Pvt Limited (JMPL). The repayment of yearly instalment of ₹ 5 crore each would start after a

moratorium of two years and the interest shall be paid as and when it becomes due. The said term loan was stated to be disbursed through the overseas branch of Towering Capital Bank Limited at Nairobi. The machining plant was to be commissioned specifically to meet the continuous demand of two major customers of Kenya with an eye to capture the African market too. The term loan was to be secured against the properties of the holding company Jatindrarangam Iron Works Private Limited situated at Nairobi.

The CFO Krishnan and the CS Sachin together were instructed by Jagadayu, MD, to coordinate with the legal department of the Towering Capital Bank in respect of procedures relating to creation of security and registration of charges.

In a new development, though the company maintained its Register of Members at its Registered Office situated in Manipal but out of total one hundred and fifty-five members, some of the members who resided in Mangaluru (earlier known as Mangalore), which is around sixty five kilometres away from Manipal, were constantly requesting the directors of Jatindrarangam Iron Works to maintain the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal.

It is worth mentioning that the Board of Directors of Jatindrarangam Iron Works Private Limited approved the allotment of one thousand equity shares to five new members in its meeting held on 2nd August, 2024. After approval of the allotment, the names of five members were duly entered in the Register of Members within the specified time limit by the Secretarial Department under the guidance of Sachin, Company Secretary.

As regards appointment of statutory auditors, it may be noted that M/s. Suresh Neelambar & Co. were appointed as the statutory auditors of Jatindrarangam Iron Works Private Limited at its Annual General Meeting held on 7th September, 2023, to hold the office from the conclusion of that meeting till the conclusion of the sixth Annual General Meeting. However, in the next Annual General Meeting held on 5th September, 2024, no ratification resolution for the appointment of M/s. Suresh Neelambar & Co. as statutory auditors was passed.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct

answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5) given herein under:

MULTIPLE CHOICE QUESTIONS

1. In the above case scenario, it is mentioned that Jatindrarangam Iron Works Private Limited would receive an amount of ₹ 10 crore as short-term unsecured loan from Shwetamalini, wife of Jagadayu (MD). Choose the apt option from those stated below regarding the compliances, if any, which, after being instructed by Jagadayu (MD), Sachin, as the Company Secretary of the company, would dutifully ensure:
 - (a) Treating the amount of ₹ 10 crore, to be received from Shwetamalini, wife of Jagadayu (MD), as deposit, Sachin, the Company Secretary of Jatindrarangam Iron Works Private Limited would ensure to issue a circular immediately to the members of the company with a statement of deposits accepted as on date with the names of each depositor, amount received as on date, the due dates and the liabilities on the due dates in respect of each depositor.
 - (b) Not treating the amount of ₹ 10 crore, to be received from Shwetamalini, wife of Jagadayu (MD), as deposit, Sachin, the Company Secretary of Jatindrarangam Iron Works Private Limited would ensure that a declaration in writing is obtained to the effect that the amount is not being given out of funds acquired by her by borrowing or accepting loans or deposits from others and further the details of money so accepted shall be disclosed in the Board's Report.
 - (c) Not treating the amount of ₹ 10 crore, to be received from Shwetamalini, wife of Jagadayu (MD), as deposit, Sachin, the Company Secretary of Jatindrarangam Iron Works Private Limited would ensure that a declaration in writing is obtained to the effect that the amount is not being given out of funds acquired by her by borrowing or accepting loans or deposits from others and further the details of money so accepted shall be disclosed in the Board's Report and also displayed on the official website of the company.

- (d) Not treating the amount of ₹ 10 crore, to be received from Shwetamalini, wife of Jagadayu (MD), as deposit, Sachin, the Company Secretary of Jatindrarangam Iron Works Private Limited would ensure that a declaration in writing is obtained to the effect that the amount is not being given out of funds acquired by her by borrowing or accepting loans or deposits from others and further the details of money so accepted shall be disclosed in the Board's Report and also displayed on the official website of the company as well as official website of Ministry of Corporate Affairs (MCA) since the amount exceeds the limit of ₹ 5.00 crore.
2. The Case Scenario states that Towering Capital Bank sanctioned a term loan of ₹ 25 crore, to be disbursed by its overseas branch, for acquisition of the 'machining plant' along with land and building at Nairobi, Kenya for the wholly owned subsidiary (WoS), i.e., - Jatindrarangam Machining Pvt Limited (JMPL) and the term loan was to be secured against the properties of the holding company Jatindrarangam Iron Works Private Limited situated at Nairobi. As regards creation of charge in India where the instrument of charge relates solely to the properties situated at Nairobi, Kenya, the copy of the said instrument of charge which is required to be filed with the jurisdictional Registrar of Companies, shall be verified in a specified manner. Choose the correct option from those given below as to the verification of copy for creation of charge in India:
- (a) As regards creation of charge in India where the instrument of charge relates solely to the properties situated at Nairobi, Kenya, the copy of the said instrument of charge which is required to be filed with the jurisdictional Registrar of Companies, shall be verified by a certificate issued under the hand of some person other than the company who is interested in the mortgage or charge.
- (b) As regards creation of charge in India where the instrument of charge relates solely to the properties situated at Nairobi, Kenya, the copy of the said instrument of charge which is required to be filed with the jurisdictional Registrar of Companies, shall be verified by a certificate issued under the hand of designated official at High Commission of India in Kenya.

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- (c) As regards creation of charge in India where the instrument of charge relates solely to the properties situated at Nairobi, Kenya, the copy of the said instrument of charge which is required to be filed with the jurisdictional Registrar of Companies, shall be verified by a certificate issued under the hand of Notary Public of Kenya having a valid certificate.
- (d) As regards creation of charge in India where the instrument of charge relates solely to the properties situated at Nairobi, Kenya, the copy of the said instrument of charge which is required to be filed with the jurisdictional Registrar of Companies, shall be verified by a certificate issued under the hand of a member of the Institute of Certified Public Accountants of Kenya holding valid membership.
3. According to the Case Scenario, out of total one hundred and fifty-five members, some of the members who resided in Mangaluru, were constantly requesting the directors of Jatindrarangam Iron Works to maintain the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal. Keeping in view the relevant provisions, you are required to indicate the correct option from those mentioned below as to minimum how many members who resided in Mangaluru must request the company for maintaining the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal:
- (a) As per the relevant provisions, if more than one-fifth of the total members of Jatindrarangam Iron Works who reside at Mangaluru, request the company to maintain the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal, their request can be acceded to after fulfilling specified formalities.
- (b) As per the relevant provisions, if more than one-tenth of the total members of Jatindrarangam Iron Works who reside at Mangaluru, request the company to maintain the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal, their request can be acceded to after fulfilling specified formalities.
- (c) As per the relevant provisions, if more than one-half of the total members of Jatindrarangam Iron Works who reside at Mangaluru, request the company to maintain the Register of Members at its

branch office at Mangaluru instead of keeping it at Manipal, their request can be acceded to after fulfilling specified formalities.

- (d) As per the relevant provisions, if more than one-twentieth of the total members of Jatindrarangam Iron Works who reside at Mangaluru, request the company to maintain the Register of Members at its branch office at Mangaluru instead of keeping it at Manipal, their request can be acceded to after fulfilling specified formalities.
4. The Case Scenario mentions that the names of new five members to whom allotment of one thousand equity shares was approved in the meeting of Board of Directors of Jatindrarangam Iron Works Private Limited which was held on 2nd August, 2024, were duly entered in the Register of Members within the specified time limit. You are required to choose the correct option from those stated below as to the maximum time limit within which said names must have been entered in the Register of Members:
- (a) The names of the new members to whom one thousand equity shares were allotted must have been entered in the Register of Members by the Secretarial Department within seven days after the Board of Directors approved the allotment in its meeting held on 2nd August, 2024.
 - (b) The names of the new members to whom one thousand equity shares were allotted must have been entered in the Register of Members by the Secretarial Department within five days after the Board of Directors approved the allotment in its meeting held on 2nd August, 2024.
 - (c) The names of the new members to whom one thousand equity shares were allotted must have been entered in the Register of Members by the Secretarial Department within fifteen days after the Board of Directors approved the allotment in its meeting held on 2nd August, 2024.
 - (d) The names of the new members to whom one thousand equity shares were allotted must have been entered in the Register of

Members by the Secretarial Department within ten days after the Board of Directors approved the allotment in its meeting held on 2nd August, 2024.

5. According to the Case Scenario, M/s. Suresh Poojary & Co. were appointed as the statutory auditors of Jatindrarangam Iron Works Private Limited at its Annual General Meeting held on 7th September, 2023, to hold the office from the conclusion of that meeting till the conclusion of the sixth Annual General Meeting but in the next Annual General Meeting held on 5th September, 2024, no ratification resolution for the appointment of M/s. Suresh Neelambar & Co. as statutory auditors was passed. You are required to choose the correct option from those stated below:
- (a) There was violation of the relevant provisions since no ratification resolution was passed in the Annual General Meeting held on 5th September, 2024, and therefore, the continuation of appointment of M/s. Suresh Neelambar & Co. as statutory auditors of Jatindrarangam Iron Works Private Limited shall need to be approved by the jurisdictional Registrar of Companies.
 - (b) There was violation of the relevant provisions since no ratification resolution was passed in the Annual General Meeting held on 5th September, 2024, and therefore, the continuation of appointment of M/s. Suresh Neelambar & Co. as statutory auditors of Jatindrarangam Iron Works Private Limited shall need to be approved by the jurisdictional Regional Director.
 - (c) There was violation of the relevant provisions since no ratification resolution was passed in the Annual General Meeting held on 5th September, 2024, and therefore, the continuation of appointment of M/s. Suresh Neelambar & Co. as statutory auditors of Jatindrarangam Iron Works Private Limited shall need to be approved by the jurisdictional bench of National Company Law Tribunal (NCLT).
 - (d) There was no violation of any provision if no ratification resolution was passed in the Annual General Meeting held on 5th September, 2024, and the appointment of M/s. Suresh Neelambar & Co. as

statutory auditors of Jatindrarangam Iron Works Private Limited shall continue to remain valid.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** Not treating the amount of ₹ 10 crore, to be received from Shwetamalini, wife of Jagadayu (MD), as deposit, Sachin, the Company Secretary of Jatindrarangam Iron Works Private Limited would ensure that a declaration in writing is obtained to the effect that the amount is not being given out of funds acquired by her by borrowing or accepting loans or deposits from others and further the details of money so accepted shall be disclosed in the Board's Report.

Reason:

Sachin, the Company Secretary, would ensure that the amount received from Shwetamalini is not treated as a deposit as per the Companies (Acceptance of Deposits) Rules, 2014. The rules exempt loans from relatives of directors from being treated as deposits if:

1. The relative declares in writing that the funds are not borrowed or acquired from others.
 2. The company discloses the details of the loan in the Board's Report.
2. **Option (a)** As regards creation of charge in India where the instrument of charge relates solely to the properties situated at Nairobi, Kenya, the copy of the said instrument of charge which is required to be filed with the jurisdictional Registrar of Companies, shall be verified by a certificate issued under the hand of some person other than the company who is interested in the mortgage or charge.

Reason:

Section 77(3) of the Companies Act, 2013 and Rule 3(6) of the Companies (Registration of Charges) Rules, 2014.

3. **Option (b)** As per the relevant provisions, if more than one-tenth of the total members of Jatindrarangam Iron Works who reside at Mangaluru, request the company to maintain the Register of Members at its branch

office at Mangaluru instead of keeping it at Manipal, their request can be acceded to after fulfilling specified formalities.

Reason:

Section 94(2) of the Companies Act, 2013 provides that if more than one-tenth (1/10th) of the total members residing in a particular place request the company to keep the Register of Members at a branch office in that location, the company may accede to their request after fulfilling specified formalities.

4. **Option (a)** If it is established that there are requisite number of members residing at Mangaluru requesting Jatindrarangam Iron Works Private Limited to maintain the Register of Members at its branch office at Mangaluru, then the directors shall pass a Board Resolution with full majority and direct Sachin, Company Secretary, to maintain the Register of Members at branch office at Mangaluru.

Reason:

Section 88(1) of the Companies Act, 2013 mandates that every company must maintain a Register of Members containing details of shareholders, their shareholdings, and other relevant information.

Rule 5(1) of the Companies (Management and Administration) Rules, 2014 states that every company must enter the name of the allottee in the Register of Members within seven days from the date of allotment of shares.

5. **Option (d)** There was no violation of any provision if no ratification resolution was passed in the Annual General Meeting held on 5th September, 2024, and the appointment of M/s. Suresh Neelambar & Co. as statutory auditors of Jatindrarangam Iron Works Private Limited shall continue to remain valid.

Reason:

As per Section 139 of the Companies Act, 2013 (amended provisions effective from 2017), the requirement for annual ratification of the appointment of statutory auditors by the members was removed. Therefore, the continuation of M/s. Suresh Neelambar & Co. as auditors does not require any further ratification.

CASE SCENARIO 11

It is correctly said that One Person Company (OPC) is a special gift of the newly enacted Companies Act, 2013 to the Indian citizens. Due to this novel introduction, many businessmen decided to start their business using the form of 'one person company' as it combines most of the benefits of a sole proprietorship and a company form of organisation. In this large herd of businessmen - both young and experienced - was Anuvrat who lived in Nagpur, a two-tier city along with his parents Mr. Prabhat and Mrs. Shakuntala, an elder sister Sumati who had recently completed her Ph.D. and a younger brother Anukant who was pursuing graduation in Commerce. The profession of his father, Mr. Prabhat, who held the position of Vice President (Marketing) in a leading pharmaceutical company going by the name A-one Pharma Limited (listed on BSE and NSE), demanded travelling abroad most of the year.

In the last financial year, *i.e.*, 2023-24 too, Mr. Prabhat vastly travelled in the cities of different countries of Europe from 1st June, 2023, onwards till the end of March 2024. He is also planning to migrate to Birmingham, U.K. after proceeding on superannuation which is only two years away.

Anuvrat's mother, Mrs. Shakuntala, was a science teacher in a reputed public school of Nagpur and an active social worker. As regards himself, Anuvrat, after completion of post-graduation in science stream, had successfully completed a one-year program in 'film direction and production', his most preferred career, in the year 2019 and was working as a freelancer in video-making and photography sector. However, on the back of his mind, he constantly thought of establishing his very own company and the same he did in July 2023 by incorporating a film production company which went by the name - Anuvrat SilverBand Private Limited (OPC) with Registered Office situated in Mumbai.

Of his company, Anuvrat was the only subscriber to the Memorandum of Association with his mother, Mrs. Shakuntala, as the nominee. The company had three directors - he himself, his brother Anukant and his sister Sumati. The Authorised Capital as stated in the Capital Clause of the Memorandum was ₹ 40,00,000 but the paid-up capital was only ₹ 10,00,000 which was entirely held by Anuvrat.

Due to the adaptive structure of One Person Company where he could take decisions of his choice and benefits accruing from it, Anuvrat, with the help of other two directors i.e. Anukant and Sumati, boldly expanded his business and made an entry into radio, television, fashion films, music videos and other entertainment activities.

Everything was going smoothly and fine, when in July 2024, all of a sudden, his mother Mrs. Shakuntala expressed her opinion to withdraw her consent as the nominee of the Anuvrat SilverBand Private Limited (OPC) since she was suffering from some kind of medical problem, quite serious in nature and was difficult to handle by the family doctor. This adverse development required Anuvrat to think intensely about changing the nomination of his mother and ultimately, though with heavy heart, he put across his desire before his father, Mr. Prabhat, to make him a new nominee in place of his mother, Mrs. Shakuntala. His father, Mr. Prabhat, assured him that he would consider the proposal of his nomination with positive mindset but also cautioned him that there should not arise any legal hurdle if he becomes the nominee.

As luck would have it, one day Surryyadepp, a renowned figure in the realm of numerology for over a decade approached Anuvrat to make short films for his company by the name Surryyadepp Numbers Pvt. Limited (OPC) to which he agreed. During the meetings that followed, the numerologist guided him to have additional alphabets 'n' and 'v' in his name to reach his highest potential and Anuvrat agreed to his suggestion. By fulfilling various legal formalities, Anuvrat got his name changed to Annuvrat.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-5) given herein under:

MULTIPLE CHOICE QUESTIONS

1. Neelesh, a sales executive in A-one Pharma Limited who was working directly under Mr. Prabhat, Vice President (Marketing), as the member of his core marketing team, is desirous of availing loan from the company for purchase of its equity shares. Choose the correct option from those

given below as to whether or not Neelesh can avail loan from the company for the purpose of purchasing its own equity shares:

- (a) Neelesh as an employee of A-one Pharma Limited is not permitted to avail loan from the company for the purpose of purchasing its own equity shares.
 - (b) Neelesh as an employee of A-one Pharma Limited is permitted to avail loan from the company for the purpose of purchasing its own equity shares but the quantum of loan amount shall be limited to maximum up to three months' salary of Neelesh.
 - (c) Neelesh as an employee of A-one Pharma Limited is permitted to avail loan from the company for the purpose of purchasing its own equity shares but the quantum of loan amount shall be limited to maximum up to six months' salary of Neelesh.
 - (d) Neelesh as an employee of A-one Pharma Limited is permitted to avail loan from the company for the purpose of purchasing its own equity shares but the quantum of loan amount shall be limited to maximum up to nine months' salary of Neelesh.
2. From the Case Scenario, it is evident that with a view to start his own film production company, Annuvrat (earlier name Anuvrat) incorporated a one-person company by the name Anuvrat SilverBand Private Limited in July 2023. As regards the manner in which the company's name outside his Registered office in Mumbai shall be displayed, you are required to indicate the correct option from those stated below:
- (a) The manner in which the company's name outside his Registered office in Mumbai is required to be displayed shall be -
Anuvrat SilverBand Private Limited (One Person Company)
 - (b) The manner in which the company's name outside his Registered office in Mumbai is required to be displayed shall be -
Anuvrat SilverBand Private Limited (One Person Company)
 - (c) The manner in which the company's name outside his Registered office in Mumbai is required to be displayed shall be -

Anuvrat SilverBand (One Person Company) Private Limited.

- (d) The manner in which the company's name outside his Registered office in Mumbai is required to be displayed shall be -

Anuvrat SilverBand Private Limited - One Person Company

3. It is presumed that Mrs. Shakuntala, mother of Annuvrat, withdrew her consent to continue as nominee and a notice to this effect was given by her on 8th July, 2024. You are required to indicate the correct option from those stated hereunder as to the maximum time period within which Annuvrat is required to nominate another person as nominee from the receipt of the notice of withdrawal of consent:
- (a) Annuvrat is required to nominate another person as nominee maximum within five days from the receipt of the notice of withdrawal of consent from his mother Mrs. Shakuntala.
 - (b) Annuvrat is required to nominate another person as nominee maximum within fifteen days from the receipt of the notice of withdrawal of consent from his mother Mrs. Shakuntala.
 - (c) Annuvrat is required to nominate another person as nominee maximum within twenty days from the receipt of the notice of withdrawal of consent from his mother Mrs. Shakuntala.
 - (d) Annuvrat is required to nominate another person as nominee maximum within thirty days from the receipt of the notice of withdrawal of consent from his mother Mrs. Shakuntala.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Neelesh as an employee of A-one Pharma Limited is permitted to avail loan from the company for the purpose of purchasing its own equity shares but the quantum of loan amount shall be limited to maximum up to six months' salary of Neelesh.

Reason:

Section 67(3)(c) of the Companies Act, 2013.

2. **Option (b)** The manner in which the company's name outside his Registered office in Mumbai is required to be displayed shall be -
Anuvrat SilverBand Private Limited (One Person Company)

Reason:

Refer second Proviso to Section 12 (3) of the Companies Act, 2013.

3. **Option (b)** Annuvrat is required to nominate another person as nominee maximum within fifteen days from the receipt of the notice of withdrawal of consent from his mother Mrs. Shakuntala.

Reason:

Refer Section 3 and Rule 4 (3) of the Companies (Incorporation) Rules, 2014.

CASE SCENARIO 12

Fresh Orchids Private Limited, incorporated by two close friends, named Pratham MBA-Finance) and Adwait (MBA-Marketing) with Authorised Capital of ₹ 30.00 crores consisting of 3,00,00,000 equity shares of ₹ 10 each, had its Registered Office at Pune, Maharashtra. The company, having paid-up share capital of ₹ 20,00,00,000, subscribed by one hundred and two shareholders, has been making its niche in the beverage industry for the last six years.

With quality and taste as its pillars, Fresh Orchids made its presence felt not only in the city of Pune but also in Mumbai and neighbouring areas through its variety of products which included fruit juices of various kinds, jeera drinks and lemonade. In the current financial year, the liability on account of a term loan, which was availed from True Bank Limited and whose repayment, both principal and interest till date, is quite regular, stood at ₹ 10.00 crores.

Anticipating robust future trends, Pratham and Adwait, holding the office of Managing Director and Whole-time Director respectively and two other directors, named Shikha (wife of Pratham) and Shruti (wife of Adwait), were thinking of launching a new line of health-oriented drink after receiving positive market feedback. The same was discussed with the product development team as well as the marketing team of the company. It is heartening to note that the product development team was successful in creating a new line of health-drink including formulation and taste testing. Use of taste testing methods ensured that the new health-drink met the highest standards of quality and taste. The marketing team was also hopeful and confident enough to capture the substantial market throughout the country so far as new line of health-drink was concerned.

As the company needed a fresh dose of additional capital for production and marketing of newly developed health drinks, the directors decided to offer 50,00,000 equity shares of ₹ 10 each through private placement to the existing shareholders. The equity shares were duly allotted to these shareholders after following the requisite provisions.

With the infusion of further capital, production of health drinks came swiftly into action. As expected, the marketing team developed and executed a

successful campaign that significantly boosted the product's market presence and turnover rose much beyond expectations and so was the goodwill of the company.

The directors of Fresh Orchids Private Limited decided to reward and motivate the top ten employees of the product development team and marketing team, who contributed significantly to the success of the company and made available rights in the nature of Intellectual Property Rights (IPR). Consequently, the company issued 5,00,000 Sweat Equity shares of face value of ₹ 10 to them, each getting 50,000 shares for consideration other than cash, after passing the specified resolution. This issue recognised the hard work and achievements of the employees beyond their regular salaries and bonuses. Through this goodwill gesture, the employees developed a sense of ownership in the company. There were great chances that by issuing Sweat Equity shares, the company shall be able to reduce the likelihood of employees leaving for other gainful opportunities in times to come. This way, the company not only enhanced employees' satisfaction but also strengthened its overall organizational performance.

The graph of success went on rising day by day. With soaring demand, the company established five branch offices in Delhi, Bangaluru, Chandigarh, Bhopal and Kolkata. The branch managers of these branches were ably handling almost all the areas of north, east and south falling within the country. The company received a welcoming response from all the corners and had a sort of pan India image. Motivated by this, the company crossed the boundaries of the country and began exporting to the European countries as well. To handle and coordinate the business in a smooth manner, the company established its maiden overseas branch office in Vienna, Austria which was sixth one in the row after opening of five Indian branches.

It is worth mentioning that Fresh Orchids maintains its books of accounts and other books and papers in electronic mode. Accordingly, the back-up of these books of accounts and other books and papers are duly kept in server physically located in India.

The auditors, M/s. Tarun Chandorkar & Associates, duly prepared the audit report stating the authenticity of the accounts, compliance of financial statements with the accounting standards, provision of adequate internal

financial control with reference to the financial statements and the operating effectiveness of such controls. The company duly prepared its Annual Return and filed the same with the jurisdictional Registrar of Companies in addition to filing of other financial statements.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-6) given herein under:

MULTIPLE CHOICE QUESTIONS

1. The Case Scenario states that the directors of Fresh Orchids Private Limited decided to reward and motivate the top ten employees of the product development team and marketing team, who contributed significantly to the success of the company and made available rights in the nature of IPR, by issuing 5,00,000 equity shares for consideration other than cash. You are required to choose the correct option from those stated below as to whether the said Sweat Equity shares shall be subject to lock-in/non-transferable for any specified period or not:
 - (a) The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team of Fresh Orchids Private Limited, shall not be subject to lock-in/non-transferable for any period, whatsoever.
 - (b) The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team of Fresh Orchids Private Limited, shall be subject to lock-in/non-transferable for a period of three years from the date of allotment.
 - (c) The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team of Fresh Orchids Private Limited, shall be subject to lock-in/non-transferable for a period of four years from the date of allotment.
 - (d) The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team

of Fresh Orchids Private Limited, shall be subject to lock-in/non-transferable for a period of five years from the date of allotment.

2. The above Case Scenario states that Fresh Orchids Private Limited needed a fresh dose of additional capital for production and marketing of newly developed health drinks and for that purpose it issued 50,00,000 equity shares of ₹ 10 each through private placement to the existing shareholders which were duly allotted. Select the appropriate option from those given below as to what is the maximum permissible time period within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them:
 - (a) The maximum permissible time period is sixty days, within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them.
 - (b) The maximum permissible time period is fifteen days, within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them.
 - (c) The maximum permissible time period is ninety days, within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them.
 - (d) The maximum permissible time period is thirty days, within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them.
3. According to the Case Scenario, Fresh Orchids Private Limited issued 5,00,000 Sweat Equity shares to the top ten employees of the product development team and marketing team, for consideration other than cash, after passing the specified resolution. You are required to choose the correct option from those mentioned below as to within a period of how many months, the allotment of Sweat Equity shares must be made

from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing:

- (a) Within a period of not more than three months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.
 - (b) Within a period of not more than twelve months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.
 - (c) Within a period of not more than six months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.
 - (d) Within a period of not more than nine months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.
4. According to the Case Scenario, Fresh Orchids Private Limited established its sixth branch in Vienna, Austria, after establishing first five Indian branches in a row. As regards auditing the accounts of the present overseas branch, who according to you is authorised to audit the accounts of this foreign branch as per the applicable provisions? Choose the correct option from those stated below:
- (a) As regards auditing of sixth branch established in Vienna, Austria, by Fresh Orchids Private Limited, only the company's auditor M/s. Tarun Chandorkar & Associates is authorised to audit its accounts.
 - (b) As regards auditing of sixth branch established in Vienna, Austria, by Fresh Orchids Private Limited, the company's auditor M/s. Tarun Chandorkar & Associates or an accountant or any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of Austria is authorised to audit its accounts.

- (c) As regards auditing of sixth branch established in Vienna, Austria, by Fresh Orchids Private Limited, the company's auditor M/s. Tarun Chandorkar & Associates or any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of Austria, is authorised to audit its accounts.
 - (d) As regards auditing of sixth branch established in Vienna, Austria, by Fresh Orchids Private Limited, an accountant or any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of Austria is authorised to audit its accounts.
- 5. It is evident that Fresh Orchids Private Limited issued 5,00,000 Sweat Equity shares for consideration other than cash to the top employees of the product development team and marketing team. Keeping in view the applicable provisions, you are required to select the apt answer from the options given below as to when the holders of these sweat equity shares shall rank *pari passu* with other equity shareholders of the company:
 - (a) The top ten employees of the product development team and marketing team, being the holders of 5,00,000 sweat equity shares, shall rank *pari passu* with other equity shareholders of the company only after the expiry of three years from the date of allotment.
 - (b) The top ten employees of the product development team and marketing team, being the holders of 5,00,000 sweat equity shares, shall rank *pari passu* with other equity shareholders of the company only after the expiry of four years from the date of allotment.
 - (c) The top ten employees of the product development team and marketing team, being the holders of 5,00,000 sweat equity shares, shall rank *pari passu* with other equity shareholders of the company immediately from the date of allotment.
 - (d) The top ten employees of the product development team and marketing team, being the holders of 5,00,000 sweat equity shares, shall rank *pari passu* with other equity shareholders of the company only after the expiry of five years from the date of allotment.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** The 5,00,000 Sweat Equity shares, when allotted to the top employees of the product development team and marketing team of Fresh Orchids Private Limited, shall be subject to lock-in/non-transferable for a period of three years from the date of allotment.

Reason:

As per Section 54 of the Companies Act, 2013, and the rules framed thereunder, sweat equity shares issued by a private company are subject to a mandatory lock-in period of three years from the date of allotment. This restriction is put in place to prevent the immediate sale of such shares and ensure long-term employee association with the company.

2. **Option (a)** The maximum permissible time period is sixty days, within which the equity shares must have been allotted to the existing shareholders after receipt of application money for such securities from them.

Reason:

As per Section 42 of the Companies Act, 2013, dealing with private placement, a company is required to allot securities within 60 days of receiving the application money. If the company fails to allot within 60 days, it must refund the application money within the next 15 days.

3. **Option (b)** Within a period of not more than twelve months, the allotment of Sweat Equity shares must be made from the date of passing of the specified resolution which authorised the said issue, if the allotment is not made immediately after its passing.

Reason:

As per Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014, sweat equity shares must be allotted within 12 months from the date of passing the special resolution authorizing the issue.

4. **Option (b)** As regards auditing of the sixth branch established in Vienna, Austria, by Fresh Orchids Private Limited, the company's auditor M/s. Tarun Chandorkar & Associates or an accountant or any other person duly

qualified to act as an auditor of the accounts of the branch office in accordance with the laws of Austria is authorised to audit its accounts.

Reason:

As per Section 143(8) of the Companies Act, 2013, the accounts of a foreign branch of a company can be audited either by the company's auditor or by an auditor duly qualified to act as an auditor in accordance with the laws of the country where the branch is located. This ensures compliance with local regulations.

5. **Option (c)** The top ten employees of the product development team and marketing team, being the holders of 5,00,000 sweat equity shares, shall rank pari passu with other equity shareholders of the company immediately from the date of allotment.

Reason:

Read section 54 along with Rule 8.

As per Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014, sweat equity shares rank pari passu with other equity shareholders from the date of allotment. This means they have the same rights as ordinary equity shareholders without any waiting period for ranking.

CASE SCENARIO 13

Bharat Sanskar Limited having its registered office at Haridwar, is a listed public company. It is registered with an authorised share capital of ₹ 300 crore divided into 30 crore equity shares of ₹ 10/- each. The paid-up share capital of the company is ₹ 200 crore divided into 20 crore equity shares of ₹ 10/- each. The company is very renowned in manufacturing and supplying devotional items such as high-quality worship materials, fragrances, various types of decorative goods, idols etc.

The Board of Directors of the company constituted of Sagar as the Managing Director and Hari, Rahi, Sansar & Nabh as directors of the company. In the company Raju was holding the post of Company Secretary, Sonu designated as Chief Financial Officer and Moti as Assistant Accountant. The company prepared its Financial Statement for the year 2022-23, the Board of Directors approved the same and it was signed by the concerned authorities and thereafter submitted to the auditors on 10th May, 2023 for their report. The turnover of the company was ₹ 100 crore during the year 2022-23. The auditor's report was duly received and the annual accounts with Board's report and all necessary annexures were ready on 15th July 2023 after complying with all the formalities as per company law.

The Board Meeting was called on 25th July, 2023 and the Annual General Meeting was fixed on 20th August, 2023. At the Annual General Meeting the Financial Statement along with all annexures was duly received and adopted by the members present. However, the company could not file copies of financial statement along with all the documents annexed to the financial statement adopted at the Annual General Meeting, with the Registrar.

It is also informed that in April, 2023, the company had destroyed all the books of account together with relevant vouchers up to financial year ending on 31st March, 2018.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following queries given herein under: -

MULTIPLE CHOICE QUESTIONS

1. The Companies Act, 2013 provides that the financial statement should be approved by the Board of Directors, signed by the prescribed authorities and submitted to the auditors for their report. Accordingly, the financial statements of Bharat Sanskar Limited shall be signed by:
 - (a) Sagar, Raju and Sonu
 - (b) Sansar, Hari, Raju and Sonu
 - (c) Sagar, Sansar, Raju and Moti
 - (d) Sagar, Sansar, Raju and Sonu
2. As per provisions of company law, the Board's report with annexures thereto of the above company is required to be duly signed by -
 - (a) Sagar only
 - (b) Sagar and Hari
 - (c) Sagar and Raju
 - (d) Sagar and Sonu
3. As per provisions of the Companies Act, 2013, the act of the company in destruction of all books of account together with relevant vouchers was not correct because –
 - (a) The books of accounts etc. relating to a period not less than 6 preceding financial years are required to be kept in good order.
 - (b) The books of accounts etc. relating to a period not less than 8 preceding financial years are required to be kept in good order.
 - (c) The books of accounts etc. relating to a period not less than 10 preceding financial years are required to be kept in good order.
 - (d) The books of accounts etc. relating to a period not less than 12 preceding financial years are required to be kept in good order.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** Sagar, Sansar, Raju and Sonu

Reason:

As per, section 134(1) of the Companies Act, 2013, the financial statement shall be approved by the Board of Directors before they are signed on behalf of the Board for the submission to the auditor for his report thereon; at least by:

- a. The chairperson of the company where he is authorised by the Board OR the two directors out of which one shall be managing director, if any, and
- b. The Chief Executive Officer, and
- c. The Chief Financial Officer and
- d. The company secretary of the company, wherever they are appointed.

2. **Option (b)** Sagar and Hari

Reason:

As per section 134 (6) of the Companies Act, 2013,

The Board's report and any annexures thereto shall be signed by:

- a. Chairperson of the company if he is authorised by the Board and
- b. Where he is not so authorised, shall be signed by:
 - i. At least two directors, one of whom shall be a managing director, or
 - ii. The director where there is one director.

3. **Option (b)** The books of accounts etc. relating to a period not less than 8 preceding financial years are required to be kept in good order.

Reason:

As per section 128(5) of the Companies Act, 2013,

The books of account, together with vouchers relevant to any entry in such books, are required to be preserved in good order by the company for a period of not less than eight years immediately preceding the relevant financial year.

CASE SCENARIO 14

Shree Tyres Limited is an unlisted public limited company. The company's accounts for the financial year ending on 31st March, 2023 were finalised and audited by the Statutory Auditor. The meeting of the Board of Directors was convened and approved the financial accounts of the company and proposed to convene the Annual General Meeting of the shareholders on Thursday, the 25th August, 2023 at 10 am.

The total number of members is 3500. The Article of the company provides that the quorum for the general meeting of the shareholders shall be at least fifty members. On the day of the meeting only 10 members were physically present. Even after waiting of 30 minutes, the quorum was not present. Accordingly, the meeting was adjourned. According to the provisions of the Companies Act, 2013, the meeting shall adjourn to the same day in the next week at the same time and place.

However, on the same day in the next week i.e., on Thursday, the 1st September, 2023, the same venue (which is a Hotel's Conference Hall) was available from 3 pm only. The Board agreed to conduct the meeting from 3 pm and the all the members were informed individually via mail and also published it in the newspapers (one in English and another in vernacular language)

The adjourned meeting started at 3 pm on 1st September, 2023, the quorum required as per the Articles was 50, however 75 members were present. Out of the 75 members attending the meeting 25 persons were having the residence near the venue of Annual General Meeting and rest of the members were staying far away. Due to heavy rainfall and scarce availability of public transportation, 40 persons left the meeting so that they can reach home on time. By that time only the ordinary business resolutions were approved and two special business agendas were pending for approval by the members.

Based on the above facts, answer the following MCQs:

MULTIPLE CHOICE QUESTIONS

1. In the light of the given facts, the General Meeting of the shareholders was decided to be scheduled. Determine by which date the notices to the shareholder should have been given to the members:
 - (a) 1st August, 2023
 - (b) 2nd August, 2023
 - (c) 3rd August, 2023
 - (d) 4th August, 2023
2. Whether adjournment of the general meeting of shareholders of Shree Tyres Limited for want of quorum, was justified as per the requirement of the Companies Act, 2013:
 - (a) Yes, it was justified, since the quorum was not present within 30 minutes from the time appointed for holding the meeting
 - (b) No, it was not justified since the waiting time for the arrival of the requisite quorum is 30 minutes as per the provisions of the Companies Act, 2013, whereas the decision of the adjournment of the meeting was just taken after 15 minutes.
 - (c) Yes, if the quorum is not present at the given time (sharp) of meeting, the meeting stands to be adjourned, and there is no requirement of waiting time.
 - (d) Yes, it was justified, since the quorum was not present within 45 minutes (as per statutory requirement) from the time appointed for holding the meeting.
3. What shall be the quorum for the General Meeting of the Shareholders, where the number of members is 3500:
 - (a) Five
 - (b) Fifteen
 - (c) Thirty
 - (d) Fifty

4. As some members left the meeting, the quorum was not present all the time during the Annual General Meeting. The agendas for special business transactions remained un-approved. What is your opinion:
- (a) The quorum once present in the beginning of the meeting is enough.
 - (b) The quorum should be present all the time when the meeting is in progress. Any items which could not approved by members for want of quorum, shall be treated as NIL.
 - (c) When the quorum is present in the beginning of the meeting, it may be assumed that all the resolutions have been approved, until and unless objected later on by the members present therein.
 - (d) The Board may seek special written consent from the all the members later on.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** 3rd August, 2023

Reason:

Section 101(1) provides that a general meeting of a company may be called by giving not less than clear twenty-one days' notice either in writing or through electronic mode in such manner as may be prescribed.

So, excluding the day of 3rd August, 2022 (the date of service of notice) and 25th August, 2022 (the date of meeting), there are 21 clear days between these two dates.

2. **Option (a)** Yes, it was justified, since the quorum was not present within 30 minutes from the time appointed for holding the meeting.

Reason:

Section 103(2) provides that "if the quorum is not present within half-an-hour from the time appointed for holding a meeting of the company- the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other date and such other time and place as the Board may determine.

3. Option (d) Fifty**Reason:**

Section 103(1) provides that unless the articles of the company provide for a larger number-

In case of public company-

- (i) Five members personally present if the number of members as on the date of meeting is not more than one thousand;
- (ii) Fifteen members personally present if the number of members as on the date of meeting is more than one thousand but up to five thousand;
- (iii) Thirty members personally present if the number of members as on the date of the meeting exceeds five thousand.

In the present case, the minimum of member required for quorum have been fixed in the Articles, which is FIFTY, hence the answer shall be Fifty.

It is to be mentioned here that the Article can provide the higher number required for quorum, but it cannot reduce the number as prescribed under the Companies Act, 2013.

4. Option (b) The quorum should be present all the time when the meeting is in progress. Any items which could not approved by members for want of quorum, shall be treated as NIL.**Reason:**

The Para 3 of the Secretarial Standard -2 (SS-2 on General Meetings) issued by the ICSI deals with the Quorum.

Its para 3.1. provides as under:

Quorum shall be present throughout the Meeting. Quorum shall be present not only at the time of commencement of the Meeting but also while transacting business.

CASE SCENARIO 15

Perfect Tyres and Rubbers Limited is a listed entity engaged in the business of manufacturing of tyres and tubes for Light and Heavy Commercial Vehicles. During the financial year 2022-23, the company has declared interim dividend of 5% on the equity shares in its Board meeting held on 17th October, 2022, out of the profits earned during the first quarter of FY 2022-23. Further, the Board of Directors of the company after reviewing results of the fourth quarter of FY 2022-23 again recommended for second Interim Dividend @ 5% on 25th April, 2023.

The Board of Directors of the company approved the financial result for the FY 2022-23 in its meeting held on 5th August, 2023, and recommended a final dividend of 15% (including the interim dividends paid earlier) in this board meeting. The general meeting of the shareholders was convened on 31st August, 2023. The shareholders of the company demanded that since interim dividend @10% (5% + 5%) was declared by the company, so the final dividend should not be less than 20% (including the interim dividends). When the Company Secretary emphasised that final dividend cannot exceed, what the Board of Directors have recommended in their board meeting, some of the shareholders boycotted the meeting and moved out of the meeting hall, in protest of the company's decision. However, the agenda for declaration of the dividend was passed unanimously by rest of the shareholders present in the meeting hall, fulfilling the criteria of requirement of quorum, as per the provisions of the Companies Act, 2013.

After approval of the shareholders the dividend amount was paid to the shareholders, however dividend to some of the shareholders could not be paid within the prescribed period for variety of reasons. The company transferred the unpaid dividend amount to a separate bank account on 15th October, 2023.

The details of the unpaid dividend amount for the previous year's lying in the unpaid dividend account is as under:

S. No.	Dividend pertaining to the FY	Date of declaration of Dividend	Date when the amount was transferred to Unpaid dividend Account	Amount lying in the Unpaid Dividend Account (₹ in lakh)
1	2022-23	31.08.2023	15.10.2023	92.50
2	2021-22	25.08.2022	28.09.2022	85.14
3	2020-21	20.08.2021	22.09.2021	80.00
4	2019-20	05.09.2020	07.10.2020	75.25
5	2018-19	01.09.2019	04.10.2019	45.15
6	2017-18	07.09.2018	09.10.2018	35.26
7	2016-17	05.05.2017	08.06.2017	15.10
8.	2015-16	06.06.2016	08.07.2016	07.25

Sustram, one of the investors who is holding 1000 shares in physical form, by visiting web-site of the company, came to know that company had declared the dividends in some previous years, but have not been paid to him. This happened due to the fact the company was not having his current address and bank account details. Sustram approached the company, along with all the supporting evidence to his claim and demanded the dividend amount.

The company after being satisfied, paid all the dividend amount pertaining to the FY 2016-17 to FY 2022-23. However, for FY 2015-16, the company informed that since the amount of dividend has been transferred to Investor Education and Protection Fund, it cannot be taken back now. Aggrieved from this, Sustram threatened the company officials to take appropriate legal action.

Based on the above facts, answer the following MCQs:

MULTIPLE CHOICE QUESTIONS

- Which among the following is NOT correct?
 - The Board can declare the Interim Dividend after approval of the financial results for the FY 2022-23.
 - The Board cannot declare the Interim Dividend after approval of the financial results for the FY 2022-23.

- (c) After approval of the financial results for FY 2022-23, the Board can recommend for the final dividend only.
 - (d) The interim dividend can be declared by the board of directors and there is no need of shareholder's approval.
- 2. When the shareholders demanded for increase in the rate of dividend, but since the shareholders cannot increase the rate of dividend what the Board of Directors have recommended, some of them walked out of the meeting hall. What shall be the consequences of it:
 - (a) If, even after boycott, quorum is present, all the time during the course of general meeting and they have approved with majority, the rate recommended by the Board shall be treated as approved.
 - (b) Members present at the beginning of the meeting shall remain present all the time during the general meeting, to approve any agenda, else it will be treated as nullified.
 - (c) The approval of the dividend in an ordinary business resolution of the company, so if some of the members have boycotted the meeting, it will have no effect.
 - (d) The recommendation of the Board of Directors of the company relating to the rate of dividend shall stands withdrawn.
- 3. At which date, the unpaid dividend not claimed by the shareholders, shall be transferred to a separate bank account, in the above case:
 - (a) On 5th August, 2023 (the date of Meeting of Board)
 - (b) On 31st August, 2023 (the date of Meeting of Shareholders)
 - (c) On 30th September, 2023 (the date, after 30 days from the meeting of shareholders)
 - (d) Latest by 7th October, 2023 (within seven days from the date of expiry of 30 days)
- 4. The company transferred the amount of unpaid dividend to a separate bank account on 15th October, 2023, which is beyond the prescribed period (in this case the 7th October, 2023 was the last date to deposit in a separate bank a/c).

What is the interest liability on the part of the company?

- (a) Interest @ 6% p.a. on so much of the amount as has not been transferred to the Unpaid Dividend Account.
 - (b) Interest @ 10% p.a. on so much of the amount as has not been transferred to the Unpaid Dividend Account.
 - (c) Interest @ 12% p.a. on so much of the amount as has not been transferred to the Unpaid Dividend Account.
 - (d) Interest @ 15% p.a. on so much of the amount as has not been transferred to the Unpaid Dividend Account.
5. In the given case, when and how much amount, the company shall transfer the funds to the Investor Education and Protection Fund:
- (a) Four years after 01.09.2019; ₹ 45.15 lakh
 - (b) Five years after 07.09.2018; ₹ 35.26 lakh
 - (c) Six years after 05.05.2017; ₹ 15.10 lakh
 - (d) Seven years after 08.07.2016: ₹ 07.25 lakh
6. The unpaid dividend amount once transferred by the company to Investor Education and Protection Fund (IEPF) cannot be withdrawn. Do you agree:
- (a) Yes, the unpaid dividend amount once transferred to (IEPF) cannot be withdrawn.
 - (b) The unpaid dividend amount cannot be withdrawn in full, but is shall be released after deducting of 25% of the amount due and rest will be utilised for the investor's education
 - (c) The unpaid dividend amount cannot be withdrawn in full, but is shall be released on 50% of the amount due and rest 50% will be utilised for the investor's education.
 - (d) The unpaid dividend amount can be withdrawn by submitting an online application in Form IEPF-5 with all the supporting vouchers in original to the Nodal officer of the concerned company and adhering to the further instructions given by the Nodal Office.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** The Board cannot declare the Interim Dividend after approval of the financial results for the FY 2022-23.

Reason:

Section 123(3) provides that the Board of Directors of a company may declare interim dividend during any financial year or at any time during the period from closure of financial year till holding of the annual general meeting out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend.

However, it is practically not possible to declare any dividend for FY 2022-23, when the Board of Director have already approved the books of accounts since the books of accounts have already been closed for the FY 2022-23. The Board can at this stage recommend the final dividend and the shareholders will approve it.

2. **Option (a)** If, even after boycott, quorum is present, all the time during the course of general meeting and they have approved with majority, the rate recommended by the Board shall be treated as approved.

Reason:

The company in general meeting may declare Dividends, but no Dividend shall exceed the amount recommended by the Board. [Regulation 80 of Table F of Schedule I to the Act].

3. **Option (d)** Latest by 7th October, 2023 (within seven days from the date of expiry of 30 days)

Reason:

Section 124(1) provides that where a dividend has been declared by a company but has not been paid or claimed within thirty days from the date of the declaration to any shareholder entitled to the payment of the dividend, the company shall, **within seven days from the date of expiry of the said period of thirty 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.

4. **Option (c)** Interest @ 12% p.a. on so much of the amount as has not been transferred to the Unpaid Dividend Account.

Reason:

Section 124(3) provides that if any default is made in transferring the total amount referred to in sub-section (1) or any part thereof to the Unpaid Dividend Account of the company, it shall pay, from the date of such default, interest on so much of the amount as has not been transferred to the said account, at the rate of twelve per cent per annum and the interest accruing on such amount shall ensure to the benefit of the members of the company in proportion to the amount remaining unpaid to them.

Further section 124(7) provides that if a company fails to comply with any of the requirements of this section, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with a further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of ten lakh rupees and every officer of the company who is in default shall be liable to a penalty of twenty-five thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of two lakh rupees.

5. **Option (d)** Seven years after 08.07.2016: ₹ 07.25 lakh

Reason:

Section 124(5) provides that any money transferred to the Unpaid Dividend Account of a company in pursuance of this section which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company along with interest accrued, if any, thereon to the Fund established under sub-section (1) of section 125 and the company shall send a statement in the prescribed form of the details of such transfer to the authority which

administers the said Fund and that authority shall issue a receipt to the company as evidence of such transfer,

- 6. Option (d)** The unpaid dividend amount can be withdrawn by submitting an online application in Form IEPF-5 with all the supporting vouchers in original to the Nodal officer of the concerned company and adhering to the further instructions given by the Nodal Office.

Reason:

Section 125(4) provides that any person claiming to be entitled to the amount referred in sub-section (2) may apply to the authority constituted under sub-section (5) for the payment of the money claimed.

Rule 7 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 provides that any person whose shares, unclaimed dividend, matured deposits, matured debentures, application money due for refund, or interest thereon, sale proceeds of fractional shares, redemption proceeds of preference shares etc., has been transferred to the Fund, may claim the shares under proviso to sub-section (6) of section 124 or apply for refund under clause (a) of sub-section (3) of section 125 or under proviso to sub-section (3) of section 125, as the case may be, to the Authority by submitting an online application in Form IEPF-5 available on the website www.iepf.gov.in along with fee specified by the Authority from time to time in consultation with the Central Government.

Upon submission. Form No. IEPF-5 shall be transmitted online to the Nodal Officer of the company for verification of claim:

Provided that the claimant after making an application in Form No. IEPF-5 under sub rule 1, shall send original physical share certificate, original bond, deposit certificate, debenture certificate, as the case maybe, along with Indemnity Bond, Advance Receipts, any other document as enumerated in Form No. IEPF-5. duly signed by him, to the Nodal Officer of the concerned company at its registered office for verification of the claim.

CASE SCENARIO 16

Pristine Limited, a listed entity, passed a resolution in its Board meeting for appointment of Arora & Associates, a Chartered Accountants firm, as Statutory Auditor of the company. The company obtained the consent in writing from Arora & Associates and also placed this recommendation before the general meeting of the shareholder and got it approved.

The company thereafter informed the CA Firm about their appointment and also filed a notice of appointment with the Registrar of Companies within the prescribed time.

Arora & Associates, Chartered Accountants firm is having 3 partners namely, A Arora, B Arora, C Arora. In this firm D Arora and M Arora were associates and were being paid on case-to-case basis and not on fixed salary.

Prior to the appointment of Arora & Associates, the previous auditor was Agrawal Arora & Associates. In this CA firm there were 6 partners namely, Priya Agrawal, Mia Agrawal, Vishal Agrawal, Vyom Agrawal, D Arora and M Arora.

D Arora and M Arora were common persons in both the firms.

While working with Pristine Limited, Arora & Associates started facing a lot of issues with the management of the company. After some time, due to these disputes with the management, Arora & Associates resigned from the company.

MULTIPLE CHOICE QUESTIONS

1. The newly appointed CA Firm (Arora & Associates) and retiring CA Firm (Agrawal Arora & Associates) have common persons i.e., D Arora and M Arora. Whether the appointment of Arora & Associates in Pristine Limited. is valid as per the provisions of the Companies Act, 2013:
 - (a) It not valid since both the CA Firms (New and Old) have common persons
 - (b) D Arora and M Arora are the associates in Arora & Associates and not the partners, hence appointment of Arora & Associates, is valid

- (c) Arora & Associates should expel D Arora and M Arora in order to retain its appointment
 - (d) Agrawal Arora & Associates should expel D Arora and M Arora
2. What would have been the position if, D Arora and M Arora are partners in Arora & Associates:
- (a) The position will remain same as MCQ 1 above [There will be no change in position]
 - (b) There shall be no change and the Arora & Associates may continue as audit firm
 - (c) The appointment of Arora & Associates would not have been in terms of the provisions of the Companies Act, 2013
 - (d) The company may obtain permission from the shareholders in the general meeting by way of Special Resolution for continuation of appointment of Arora & Associates
3. In the given case, Arora & Associates due to some dispute with the management on some issues resigned from the company. Choose the correct option in respect to filling of this vacancy:
- (a) Arora & Associates cannot resign and has to hold the office till the conclusion of the next annual general meeting
 - (b) The resignation is tendered by the auditor, the Board of Directors shall appoint new auditor within 30 days and such appointment shall also be approved by the shareholders in the general meeting within 3 months of the recommendation of the Board
 - (c) This vacancy of auditor can be filled by the shareholders in consultation of the Central Government
 - (d) This vacancy of auditor can be filled by the Board of Directors in consultation of the Comptroller and Auditor-General of India

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** D Arora and M Arora are the associates in Arora & Associates and not the partners, hence appointment of Arora & Associates, is valid

Reason:

The fifth proviso to section 139(1) provides that as on the date of appointment no audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a company immediately preceding the financial year, shall be appointed as auditor of the same company for a period of five years.

In the given case, Mayank Jain and Shashank Jain are Associates of Jain & Jain and not the partners, hence it is valid.

2. **Option (c)** The appointment of Arora & Associates would not have been in terms of the provisions of the Companies Act, 2013

Reason:

In terms of the fifth proviso to section 139(1) as on the date of appointment no audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a company immediately preceding the financial year, shall be appointed as auditor of the same company for a period of five years.

3. **Option (b)** The resignation is tendered by the auditor, the Board of Directors shall appoint new auditor within 30 days and such appointment shall also be approved by the shareholders in the general meeting within 3 months of the recommendation of the Board

Reason:

Section 139(8)(i) provides that any casual vacancy in the office of an auditor shall in the case of a company other than a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor-General of India, be filled by the Board of Directors within thirty days, but if such casual vacancy is as a result of the resignation of an auditor, such appointment shall also be approved by the company at a general meeting convened within three months of the recommendation

CASE SCENARIO 17

Shiv IT Solutions Limited is a company engaged in the business of providing customised software to its clients. These software's are usually related to the employee's attendance, leave management, salary preparation, tax calculation and other matters incidental to Human Resource (HR).

The company is having its own building and other infrastructure in Bengaluru and also at Brussels, Belgium. The company have patent rights over few of its software's and also have the trade mark right over the company's logo.

The company got sanctioned term loan facility of ₹ 10 crore from Best Bank Limited on 1st January, 2022 by creating a charge on the assets of the company which includes the company's own buildings and intangible assets. The charge should have been created by the company within the time prescribed under the Companies Act, 2013 with the Registrar, however, the company could not get registration of charges within the prescribed time line.

During the course of Secretarial Audit of the company, for the year ended March 2023, it came in the knowledge of the Company Secretary in Practice, that charge was not registered with the Registrar. He mentioned it in the report and advised the company to get it registered. However, the Action Taken Report (ATR) on the audit objection made by the Company Secretary was not apprised to the Board and no follow up was made by the company thereafter.

Bank's concurrent auditor and statutory auditor also pointed out this issue and narrated that since charge was not created by the company, hence this advance be treated as clean advance and interest rate of clean / unsecured advance, which is 22% (as against the normal rate of 11%) should be applied from the date of disbursement on the outstanding amount till date. Bank also asked a professional, whether it can get the charge registered, at its own, to satisfy the audit objection.

The Bank applied for registration of charge which was considered by the Registrar and registration of creation of charge was granted. The Bank in order to address the audit objections, applied the interest @ 22% on the outstanding amount in the loan account of the company. The company aggrieved with the decision of the Bank, managed to liquidate the term loans account by raising

funds from other sources and filed the 'Satisfaction of Charge' with the Registrar.

MULTIPLE CHOICE QUESTIONS

1. The company can create charge in favour of the lender on the the assets which are:
 - (a) Tangible Assets and situated in India only
 - (b) Intangible Assets and situated in India only
 - (c) Assets that are tangible or otherwise and situated in India or Brussels (Belgium)
 - (d) Assets that are tangible or otherwise and situated in India only
2. Where the company fails to get the registration of charge, whether the Best Bank Limited, in whose favour the charge was to be created, can move the application for creation of charge:
 - (a) No. It is the responsibility of the borrower company only to get the charge registered in favour of the lender.
 - (b) If the company do not get the charge registered in favour of the lender, the lender suo-moto cannot move application for registration of charge in its favour.
 - (c) The borrower company can be held liable to pay the penalty only.
 - (d) Yes. The lender company can move the application for registration of charge in its favour, if the borrower do not get the charge registered with the prescribed time.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Assets that are tangible or otherwise and situated in India or Brussels (Belgium)

Reason:

As per section 77(1), It shall be the duty of every company creating a charge within or outside India, on its property or assets or any of its

undertakings, whether tangible or otherwise, and situated in or outside India, to register the particulars of the charge signed by the company and the charge-holder together with the instruments, if any, creating such charge in such form, on payment of such fees and in such manner as may be prescribed, with the Registrar within thirty days of its creation.

2. **Option (d)** Yes. The lender company can move the application for registration of charge in its favour, if the borrower do not get the charge registered with the prescribed time.

Reason:

Section 78 provides that where a company fails to register the charge within the period of 30 days referred to in sub-section (1) of section 77, without prejudice to its liability in respect of any offence under this Chapter, the person in whose favour the charge is created may apply to the Registrar for registration of the charge along with the instrument created for the charge, within such time and in such form and manner as may be prescribed and the Registrar may, on such application, within a period of fourteen days after giving notice to the company, unless the company itself registers the charge or shows sufficient cause why such charge should not be registered, allow such registration on payment of such fees, as may be prescribed.

CASE SCENARIO 18

Vaishnav, Nilax and Nandeesh, motivated by strong desire to offer unmatched quality steel products to their customers entered into the world of steel by incorporating VXN Steel Manufacturers & Traders Limited in Nagpur in the year 2010. Owned by seven hundred and fifty-two members, the company was involved in manufacturing and supplying a wide collection of stainless-steel architectural products like frameless railings, tubes, railing fittings, pipes, and other fittings, etc. The paid-up capital of the company was ₹ 100 crores divided into 10 crores equity shares of ₹ 10 each and also the company had issued 1,00,000 secured and non-convertible 9% Debentures of the face value of ₹ 100 each which were to be redeemed on December 31, 2029.

In addition to Vaishnav, occupying the office of Managing Director (MD), Nilax, acting as Whole-time Director (WTD) and Nandeesh, holding the office of Director (Marketing), there were four more directors, as mentioned below:

Nandini – Director (Operations)

Radhika – Director (Finance)

Sambhav – Director (Research and Development)

Sarthak – Director (Human Resource and other allied matters)

Shubhendu was the Company Secretary in whole-time employment of the company looking after all the compliances relating to corporate governance.

The company was supported by talented employees in all the spheres – production, quality control, logistics, marketing, research and development, etc. Collectively, they work amicably to meet the set targets.

Over the years, VXN Steel Manufacturers & Traders Limited attained the faith of customers by offering them 'quality approved' products at budget-friendly prices. As the lease of the factory situated in Nagpur was going to expire by the end of November 2024 and it would not be extended further since the owners were unwilling to renew the lease, the directors planned to shift the business of the company from Nagpur to Mumbai where the company already owned a building which could be used for establishing factory after fulfilling requisite formalities. They also wanted to explore new genre for business growth;

therefore, all of them had a strong opinion that shifting of Registered Office to Mumbai would be a workable idea for exploiting much better market opportunities.

With the above mindset, VXN Steel Manufacturers & Traders Limited started the formalities for the said shifting of Registered Office from Nagpur to Mumbai and it was ultimately shifted in the beginning of August 2024. The company also decided to make a capital expenditure of ₹ 40.00 crores approximately towards purchase of modernised plant and machinery for its factory at Mumbai by raising a term loan of ₹ 30.00 crores from its bankers Swarn Commercial Bank Limited and to fund the remaining expenditure of ₹ 10.00 crores from its own resources. Further, a decision was taken to dismantle and sell the old plant and machinery located at Nagpur.

In continuation, Radhika – Director (Finance), on behalf of VXN Steel Manufacturers & Traders Limited, negotiated with the officials of Swarn Commercial Bank Limited to raise a term loan of ₹ 30.00 crores. In due course of time, Swarn Commercial Bank Limited sanctioned the said term loan to be disbursed in three equal instalments of ₹ 15.00 crores, ₹ 10.00 crores and ₹ 5.00 crores. As per the terms of the sanction, the next instalment of term loan would be released only after satisfactory utilisation of earlier released instalment. The security offered was to mortgage the building at Mumbai and the entire plant and machinery to be purchased in due course. In addition, all the directors were to give personal guarantees. The bank got executed necessary loan documents including an instrument of charge on September 2, 2024. The mortgage was duly registered with the Central Registry.

The company had duly maintained all the registers and documents at the Registered Office while in Nagpur and thereafter, they were shifted to Mumbai after the Registered Office was shifted.

At the end of the financial year, the annual accounts were duly made, and it was overwhelming that there was a rise in the net profit; a fact that the directors were planning to highlight in the Annual General Meeting (AGM) which was planned to be held on September 19, 2024. The Annual General Meeting was duly held at the scheduled date, time and venue.

MULTIPLE CHOICE QUESTIONS

1. It is evident from the Case Scenario that VXN Steel Manufacturers & Traders Limited shifted its Registered Office from Nagpur to Mumbai in the beginning of August 2024 due to the fact that the current lease of the factory situated in Nagpur could not be extended since the owners were unwilling to renew the lease after its expiry by the end of November 2024 and further the directors wanted to explore new genre for business growth. Considering the applicable provisions, you are required to choose the correct option from those given below as to the alteration of situation clause of its Memorandum of Association in view of the shifting of Registered Office from Nagpur to Mumbai:
 - (a) In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing a Board Resolution with all the seven directors consenting to the proposal at a validly convened Board Meeting.
 - (b) In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing an ordinary resolution at a at a validly convened General Meeting.
 - (c) In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing a special resolution at a validly convened General Meeting.
 - (d) In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing an ordinary resolution at a validly convened General Meeting and thereafter, sought approval from the Central Government through the jurisdictional Regional Director.
2. According to the Case Scenario, Radhika – Director (Finance), on behalf of VXN Steel Manufacturers & Traders Limited, negotiated with the officials of Swarn Commercial Bank Limited to raise a term loan of ₹ 30.00 crores

which was sanctioned in due course of time. The bank got executed necessary loan documents including an instrument of charge on September 2, 2024, and the mortgage was duly registered with the Central Registry. You are required to choose the correct option from those stated below as to whether there is any need either for VXN Steel Manufacturers & Traders Limited or Swarn Commercial Bank Limited to register the charge with the jurisdictional Registrar of Companies when the mortgage was duly registered with the Central Registry:

- (a) There is no need either for VXN Steel Manufacturers & Traders Limited or Swarn Commercial Bank Limited to register the charge with the jurisdictional Registrar of Companies when the mortgage was duly registered with the Central Registry.
 - (b) It is necessary for VXN Steel Manufacturers & Traders Limited to register the charge with the jurisdictional Registrar of Companies within the specified time limit from September 2, 2024, even though the mortgage was duly registered with the Central Registry.
 - (c) Irrespective of mortgage being registered with the Central Registry, VXN Steel Manufacturers & Traders Limited would be required to register the charge with the jurisdictional Registrar of Companies only after the release of all the three instalments of term loan of ₹ 30.00 crores and the specified time limit of registration would be computed from the date of release of last instalment of ₹ 5.00 crores.
 - (d) Since the amount of term loan does not exceed ₹ 50.00 crores, it was sufficient that the mortgage was duly registered with the Central Registry and therefore, it was not necessary for VXN Steel Manufacturers & Traders Limited to register the charge with the jurisdictional Registrar of Companies.
3. Due to the non-renewal of lease after its expiry by the end of November 2024 and also to explore new genre for business growth, VXN Steel Manufacturers & Traders Limited decided to shift its Registered Office from Nagpur to Mumbai and for that purpose, in addition to passing a specified resolution, it was required to obtain the approval from the Central Government through the jurisdictional Regional Director by filing

an application in Form INC-23 and such application was to be accompanied with a list of creditors and debenture holders. Choose the correct option from those specified below as to the latest date by which the list of creditors and debenture holders must be drawn preceding the date of filing the application in Form INC-23:

- (a) The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in Form INC-23 by not more than one month.
 - (b) The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in Form INC-23 by not more than one and a half month.
 - (c) The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in Form INC-23 by not more than two months.
 - (d) The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in Form INC-23 by not more than fifteen days.
4. It is mentioned in the Case Scenario that the Annual General Meeting of VXN Steel Manufacturers & Traders Limited was duly convened and held on September 19, 2024. In case the company had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then by which time such service shall be deemed to have been effected? You are required to choose the correct option from those mentioned below considering the relevant provisions:
- (a) In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of twenty-four hours after letter containing the notice of Annual General Meeting was posted.
 - (b) In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed

to have been effected at the expiration of forty-eight hours after letter containing the notice of Annual General Meeting was posted.

- (c) In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of ninety-six hours after letter containing the notice of Annual General Meeting was posted.
 - (d) In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of seventy-two hours after letter containing the notice of Annual General Meeting was posted.
5. After reading the Case Scenario narrated above, it is noticed that VXN Steel Manufacturers & Traders Limited had issued 1,00,000 secured and non-convertible 9% Debentures of the face value of ₹ 100 each which did not carry voting rights and were to be redeemed on December 31, 2029. Keeping in view the relevant provisions, you are required to choose the correct option from those stated below as to whether the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9% Debentures could, to be made more attractive to the subscribers besides carrying coupon rate of 9%, include voting rights to be exercised by the debenture holders at the general meetings of the company till redemption of 9% Debentures:
- (a) Yes; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9% Debentures could, to be made more attractive to the subscribers besides carrying coupon rate of 9%, include voting rights to be exercised by the debenture holders at the general meetings of the company but such voting rights were not to remain available after the expiry of fifth year from the date of issue.
 - (b) Yes; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9% Debentures could, to be made more attractive to the subscribers besides carrying coupon rate of 9%, include voting rights to be exercised by the debenture holders at

the general meetings of the company till redemption of 9% Debentures.

- (c) Yes; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9% Debentures could, to be made more attractive to the subscribers besides carrying coupon rate of 9%, include voting rights to be exercised by the debenture holders at the general meetings of the company but such voting rights were not to be made available to the debenture holders till the expiry of fifth year from the date of issue.
- (d) No; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9% Debentures could not include voting rights to be exercised by the debenture holders at the general meetings of the company.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** In order to shift its Registered Office from Nagpur to Mumbai, VXN Steel Manufacturers & Traders Limited must have altered the situation clause of its Memorandum of Association by passing a special resolution at a validly convened General Meeting.

Reason:

As per the Companies Act, 2013, shifting the registered office from one city to another within the same state but outside the local limits of the city or town requires altering the situation clause of the Memorandum of Association. This alteration must be approved by a special resolution passed at a validly convened General Meeting.

2. **Option (b)** It is necessary for VXN Steel Manufacturers & Traders Limited to register the charge with the jurisdictional Registrar of Companies within the specified time limit from September 2, 2024, even though the mortgage was duly registered with the Central Registry.

Reason:

Under Section 77 of the Companies Act, 2013, a company must register a charge with the Registrar of Companies (RoC) within 30 days of its

creation, even if it is already registered with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI). Thus, it is necessary for VXN Steel Manufacturers & Traders Limited to register the charge with the RoC within the specified time. Therefore, option (b) is correct.

3. **Option (a)** The list of creditors and debenture holders must be drawn up to the latest practicable date preceding the date of filing the application in form inc-23 by not more than one month.

Reason:

As per Rule 27(1) of the Companies (Incorporation) Rules, 2014, when a company applies to the Regional Director for approval of the shifting of its registered office, the list of creditors and debenture holders must be drawn up not more than one month before the filing of Form INC-23. Hence, option (a) is correct.

4. **Option (b)** In case VXN Steel Manufacturers & Traders Limited had decided to deliver the notice of Annual General Meeting by post to all those who were entitled to receive it, then such service shall be deemed to have been effected at the expiration of forty-eight hours after letter containing the notice of Annual General Meeting was posted.

Reason:

As per Section 20 of the Companies Act, 2013, service of documents by post is deemed to have been effected 48 hours after the letter is posted. Therefore, option (b) is correct.

5. **Option (d)** No; the terms of issue on which VXN Steel Manufacturers & Traders Limited had issued the said 9% Debentures could not include voting rights to be exercised by the debenture holders at the general meetings of the company.

Reason:

As per Section 71(2) of the Companies Act, 2013, debentures do not carry voting rights at general meetings of a company. Therefore, the terms of issue cannot include voting rights for debenture holders, making option (d) correct.

CASE SCENARIO 19

LESCO Pharma & Labs Private Limited, a pharmaceutical company based at Lucknow, Uttar Pradesh (UP), was incorporated on May 1, 2005. Over the years, the company, under the direction of its promoters and founders Anant and Vivan, who founded it along with some of their close friends and near relatives, became a leading manufacturer, trader and exporter of wide range of pharmaceutical tablets, energy supplements, capsules, energy drinks, etc. It is worth mentioning that LESCO Pharma had been steering its way to success by and by with the support of its members and robust management team consisting of:

1. Anant – Chairman and Managing Director;
2. Vivan – Whole-time Director;
3. Aikta – Director, Research and Development (R&D);
4. Adwait - Director (Finance and Administration);
5. Trilokadhish - Director (Operations);
6. Chaturbhuj – Director (Marketing).

At present, LESCO Pharma has a paid-up capital of ₹ 100 crores. During the financial year 2023-24, its turnover had touched the level of ₹ 500 crores and the working capital limit availed from Super Commercial Bank Limited stood at ₹ 50 crores. The company is duly maintaining and preserving copies of all documents and information filed by it with the Registrar at the time of incorporation. It is not out of place to mention that though the entire financial year 2023-24 went by as per the plans discussed and finalised in the various meetings but despite the best efforts of the company and due to the unforeseen circumstances prevailing globally, there was a drop in the profit and ultimately, to the dismay of the directors, the bottom-line was in red though marginally, showing loss to the extent of ₹ twenty-two lakhs.

As always, the company took Annual General Meetings as an opportunity to build goodwill with its shareholders and tried to convey that the company cared for them and was committed itself to transparency. Each and every stakeholder was fully aware that it was an event where important decisions regarding

corporate governance would be made. It would also provide an opportunity to its shareholders to hold the Directors accountable and ensure that the company operated in the best interests of the stakeholders. It was but natural for the members to look up to the Annual General meeting to know about the declaration of dividend too and more so the percentage of dividend to be declared thereat.

Being a universal fact, the dividend payout has always remained an important and crucial part of a company's cash flow while the shareholders expect to receive dividend regularly despite incurring of loss. So was the case with the one hundred and seventy-six members of the company. It would be pertinent to note that in the earlier five years, LESCO Pharma & Labs Private Limited declared dividend at the following rates (expressed in percentages):

Percentages of Dividends declared

Year of Declaration of Dividend	Percentage of Dividend Declared
2018-19	15%
2019-20	16%
2020-21	13%
2021-22	14%
2022-23	10%

One of the directors, Aikta was quite apprehensive regarding declaration of dividend in view of the fact that the company had not made any profits during the financial year 2023-24; rather it incurred loss to extent of ₹ twenty-two lakhs. She strongly contended that paying dividend was a matter of financial choice; and accordingly, the Board of Directors should take an informed decision. The priority for the Board needs to be to ensure that cash flow is maintained in the first instance and only thereafter, the 'happiness' of the members be considered. However, all other directors were of the opinion that to maintain the tradition of declaring dividend every year, ways should be explored to declare the dividend even if there was a loss.

As regards following the good governance standards, LESCO Pharma & Labs Private Limited is quite regular in filing its financial statements and Annual Returns as and when they become due. The audit report for the Financial Year

2023-24, duly prepared by the statutory auditors, M/s. Shikhar & Associates, and submitted to the Board of Directors of the company had specifically mentioned, *inter-alia*, that the company had in place adequate internal financial controls with reference to the financial statements and the operating effectiveness of such controls was up to the required level of satisfaction.

Rhonda, a citizen of Singapore, who holds office of the Whole-time Director (WTD) in a Singapore based SuperHealth Hospital Pte Limited, is a good friend of Trilokadhis, for the past ten years or so. This Singaporean company, which along with hospital chains, pharmacies, primary care and diagnostic centres in its home country, is interested in showing its presence in India. Rhonda, while in a candid talk with Trilokadhis, discussed the matter of opening a branch office in Lucknow so that her company could grab business opportunities in India which included providing healthcare and other related services; thus, helping her company in generating more income in times to come. After due formalities and genuine assistance from Trilokadhis, SuperHealth Hospital Pte Limited established a branch office in Lucknow, a city known for its culture, cuisine and architecture, in August 2024.

MULTIPLE CHOICE QUESTIONS

1. From the Case Scenario, it is observed that the directors of LESCO Pharma & Labs Private Limited are desirous of declaring dividend at the Annual General Meeting (AGM) to be held at some future date in September 2024, though for the Financial Year 2023-24 its bottom-line was marginally in red, showing loss to the extent of ₹ twenty-two lakhs. Out of the following four options, which one do you think is correct:
 - (a) Since LESCO Pharma & Labs Private Limited did not earn profits in the Financial Year 2023-24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it cannot declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024.
 - (b) Even though LESCO Pharma & Labs Private Limited did not earn profits in the Financial Year 2023-24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it can still declare dividend at the ensuing Annual General Meeting to be held at some

future date in September 2024 out of the profits of any previous year or years arrived at after providing for depreciation and remaining undistributed and utilising all types of available reserves.

- (c) Even though LESCO Pharma & Labs Private Limited did not have profits in the Financial Year 2023-24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it can still declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024 out of the profits of any previous year or years arrived at after providing for depreciation and remaining undistributed *i.e.* free reserves.
 - (d) Even though LESCO Pharma & Labs Private Limited did not have profits in the Financial Year 2023-24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it can still declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024 out of the profits of any previous year or years arrived at without providing for depreciation since it is not mandatory to adjust depreciation from those profits from which dividend is declared and also utilising all types of reserves.
2. It can be gathered from the Case Scenario that LESCO Pharma & Labs Private Limited declared a dividend at the rate of 10% in the year 2022-23. As regards transferring of certain amount to the reserves, how much amount, do you think, must have been transferred to the reserve account before the declaration of said dividend by the company. Choose the correct option from those stated below:
- (a) As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred one-half of the rate of dividend of 10% *i.e.* five percentage of its profits for that financial year.
 - (b) As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred one-fourth of the rate of dividend of 10% *i.e.* two and a half percentage of its profits for that financial year.

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- (c) As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred one-tenth of the rate of dividend of 10% i.e. one percentage of its profits for that financial year.
- (d) As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred such percentage of its profits for that financial year as it considered appropriate.
3. The above Case Scenario reveals that in spite of incurring loss to the extent of ₹ twenty-two lakhs in the preceding Financial Year 2023-24, LESCO Pharma & Labs Private Limited is still contemplating declaration of dividend at an appropriate rate at the forthcoming Annual General Meeting likely to be held at some future date in September 2024. For the purpose of declaring dividend under such a situation, the company is permitted to draw from the accumulated profits earned by it in the previous years and transferred to the specified reserves. As regards drawal of amount for declaration of dividend, you are required to choose the most suitable option from those mentioned below as to maximum how much amount can be drawn considering the applicable provisions:
- (a) Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-fifth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
- (b) Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
- (c) Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-tenth of its paid-up share capital as appearing in the latest audited financial statement.

- (d) Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-fourth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
4. Under normal circumstances, Annual General Meeting is convened by giving notice of at least twenty-one clear days to the members of the company and all other persons who are entitled to receive the said notice. In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, whether the same is permissible? Choose the correct option from those given below:
- (a) In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 95% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.
 - (b) In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 90% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.
 - (c) In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 80% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.
 - (d) In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 85% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** Even though LESCO Pharma & Labs Private Limited did not have profits in the Financial Year 2023-24 but, in fact, incurred loss to the extent of ₹ twenty-two lakhs in that Financial Year, it can still declare dividend at the ensuing Annual General Meeting to be held at some future date in September 2024 out of the profits of any previous year or years arrived at after providing for depreciation and remaining undistributed *i.e.* free reserves.

Reason:

As per Section 123 of the Companies Act, 2013, a company may declare dividend out of the profits of the current financial year or the profits of any previous financial years after providing for depreciation. Dividend can only be declared out of free reserves (profits not appropriated for specific purposes). Hence, option (c) is correct.

2. **Option (d)** As regards transferring of certain amount to the reserves before the declaration of dividend at the rate of 10% in the year 2022-23, LESCO Pharma & Labs Private Limited must have transferred such percentage of its profits for that financial year as it considered appropriate.

Reason:

According to the Companies Act, 2013, there is no mandatory percentage that must be transferred to reserves for companies before declaring dividends unless specified otherwise in their Articles of Association. Thus, the company may transfer an amount it considers appropriate to reserves.

3. **Option (b)** Maximum amount that can be drawn by LESCO Pharma & Labs Private Limited for the purpose of declaring dividend shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.

Reason:

As per Rule 3 of the Companies (Declaration and Payment of Dividend) Rules, 2014, the amount drawn from the accumulated profits transferred

to reserves for declaring a dividend in case of a loss shall not exceed one-tenth of the sum of the company's paid-up share capital and free reserves.

- 4. Option (a)** In case LESCO Pharma & Labs Private Limited is required to convene Annual General Meeting by giving a shorter notice of less than twenty-one clear days, it is permissible only if at least 95% of the members entitled to vote at the meeting consent to it in writing or by electronic mode.

Reason:

Section 101 of the Companies Act, 2013 permits companies to convene a general meeting with a shorter notice if at least **95% of the members entitled to vote** consent in writing or through electronic means.

CASE SCENARIO 20

In the busy city of Nagpur, there is a company “Transfiguration Industries Limited”. As the Annual General Meeting (AGM) of the company approached, the Board of Directors of Transfiguration Industries Limited gathered to discuss the appointment and removal of auditors in accordance with the Companies Act, 2013.

Mr. Jack, the Chairman of the board, opened the meeting by addressing the importance of adhering to the provisions outlined in Sections 139, 140, and 141 of the Companies Act, 2013. He emphasized the significance of appointing auditors who would uphold integrity and transparency in the company's financial reporting.

As the discussion ensued, Ms. Sara, a diligent board member, raised a question regarding the tenure of auditors. She asked whether there were any restrictions on the duration for which an auditor could be appointed. The board referred to Section 139(2) of the Companies Act, 2013, and informed about maximum period for which auditors can be appointed.

Dr. Patel, a seasoned member of the board, then inquired about the procedure for appointing the first auditor of the company. Mr. Jack explained that according to Section 139(1) and (6) of the Companies Act, 2013, the first auditor would be appointed by the Board of Directors within thirty days from the date of registration of the company. However, if the board failed to appoint the auditor within this timeframe, the members of the company would appoint the auditor at an extraordinary general meeting within ninety days.

Amidst the discussion, Mr. CS, the Company Secretary, emphasized the importance of obtaining the auditor's written consent and certificate before their appointment.

Finally, Mr. Jack concluded the meeting by reiterating the company's commitment to corporate governance and regulatory compliance. He emphasized the role of the Audit Committee as outlined in the Companies Act, 2013.

Answer the following questions in the light of the given facts and the relevant legal provisions as per the Companies act, 2013:

MULTIPLE CHOICE QUESTIONS

1. State which is the correct statement as regards the maximum tenure for which an individual auditor and an auditor firm can be appointed under the Companies Act, 2013?
 - (a) Both for five years
 - (b) Individual auditor for more than one term and an auditor firm for two terms
 - (c) Individual auditor for one term of five consecutive years and an auditor firm for two term of five consecutive years
 - (d) Individual auditor for more than one term and an auditor firm for more two terms of five consecutive years
2. State on the correctness of the procedure explained for an appointment of the first auditor of a company by Mr. Jack?
 - (a) Incorrect. Requirement of Act specifies appointment of first auditor is to be made by the shareholders in an EGM within ninety days
 - (b) Correct. Requirement of Act specifies appointment of first auditor by the Board of Directors within 30 days from the date of registration of the company
 - (c) Incorrect. Requirement of Act specifies appointment of first auditor by the Board of Directors within 30 days on the advise of Company Secretary
 - (d) Incorrect. Requirement of Act specifies appointment of first auditor by the Registrar of Companies (ROC) within 15 days
3. During the meeting, Ms. Sara asks whether a relative of a director can be appointed as the company's auditor. What does the Companies Act, 2013, state with regard to disqualification of auditors in this case?
 - (a) Relatives of directors can be appointed as auditors, without any restrictions if they are qualified Chartered Accountants.

- (b) Relatives of directors cannot be appointed as auditors under any circumstances
 - (c) Relatives of directors can be appointed as auditors if their pecuniary relationship with the company is below the prescribed threshold
 - (d) Relatives of directors can only be appointed with Registrar of Company's approval.
4. If the Board of Directors of Transfiguration Industries Limited seeks to remove an auditor before the expiry of their term, what procedure must be followed as per the provisions of the Companies Act, 2013?
- (a) The Board can remove the auditor by passing a resolution in a board meeting.
 - (b) The Board must obtain prior approval from the Audit Committee and inform the Registrar.
 - (c) The company must obtain prior approval from the Central Government and pass a special resolution in a general meeting.
 - (d) The Board must notify the Comptroller and Auditor General of India, even if Transfiguration Industries Limited is not a Government company.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option **(c)** Individual auditor for one term of five consecutive years and an auditor firm for two term of five consecutive years

Reason:

Section 139 of the Companies Act, 2013

2. **Option (b)** Correct. Requirement of Act specifies appointment of first auditor by the Board of Directors within 30 days from the date of registration of the company.

Reason:

Section 139 of the Companies Act, 2013

3. **Option (c)** Relatives of directors can be appointed as auditors if their pecuniary relationship with the company is below the prescribed threshold

Reason:

Under Section 141(3)(d) of the Companies Act, 2013, a person is disqualified from being appointed as an auditor if they, or their relative or partner, hold any security or interest in, or have a business relationship with, the company that exceeds the prescribed financial limits.

4. **Option (c)** The company must obtain prior approval from the Central Government and pass a special resolution in a general meeting.

Reason:

Under Section 140(1) of the Companies Act, 2013, an auditor appointed under Section 139 can only be removed from office before the expiry of their term by following these steps:

1. Obtain prior approval from the Central Government by applying in Form ADT-2.
2. Pass a special resolution in a general meeting of shareholders after obtaining the Central Government's approval.

CASE SCENARIO 21**The Limited Liability Partnership Act, 2008**

GreenLeaf LLP is a limited liability partnership engaged in the business of eco-friendly product manufacturing. The LLP was initially established with three partners: Priya, Sameer, and EcoCorp Limited, a corporate entity. Priya and Sameer are the designated partners, with Priya being a resident in India. EcoCorp Limited has appointed Anil, an individual, as its nominee to act on its behalf.

After a few years, Sameer decides to retire, leaving Priya and EcoCorp Limited as the remaining partners. Due to some administrative oversight, GreenLeaf LLP continues its operations without appointing a new partner. This situation persists for seven months, with Priya being aware of the reduced number of partners. During this period, GreenLeaf LLP enters into several contracts and incurs significant financial obligations.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008, and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-3) given herein under: -

MULTIPLE CHOICE QUESTIONS

1. Given that Sameer retired and GreenLeaf LLP continued with only Priya and EcoCorp Limited, what should GreenLeaf LLP have done within six months to comply with the LLP Act?
 - (a) Dissolved the LLP
 - (b) Continue operating with one designated partner
 - (c) Appoint at least one body corporate which should be a foreign company
 - (d) Appointed at least one more partner who should also be a designated partner, as every LLP should have at least two designated partners

2. According to the Limited Liability Partnership Act, 2008, choose the correct statement in relation to who must be a resident in India among the designated partners?
 - (a) At least one individual designated partner shall be resident in India
 - (b) All designated partners shall only be resident in India
 - (c) It is mandatory for only corporate partners to be resident in India
 - (d) At least four designated partners shall be resident in India
3. In the given case scenario suppose EcoCorp Limited also leaves the LLP and the LLP continues business for more than six months with only one partner, who is personally liable for the obligations incurred during that period?
 - (a) Priya
 - (b) Both Priya and EcoCorp Limited
 - (c) EcoCorp Limited
 - (d) Priya, Sameer and EcoCorp Limited

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** Appointed at least one more partner who should also be a designated partner, as every LLP should have at least two designated partners.

Reason:

According to Section 7 of the Limited Liability Partnership Act, 2008, every LLP must have at least two designated partners, and at least one of them must be a resident in India. If the LLP fails to maintain the statutory minimum number of partners for a continuous period of more than six months, it will not comply with the provisions of the Act. In the given case, GreenLeaf LLP continued with only Priya and EcoCorp Limited after Sameer's retirement. To comply with the LLP Act, GreenLeaf LLP should have appointed another partner (designated partner) within six months to maintain the required minimum.

2. **Option (a)** At least one individual designated partner shall be resident in India.

Reason:

Section 7(1) of the LLP Act, 2008, mandates that at least one designated partner in an LLP must be an individual who is a resident in India. A resident in India is defined as a person who has stayed in India for at least 182 days during the immediately preceding financial year. In this case, Priya is a resident in India and fulfills this requirement, ensuring compliance.

3. **Option (a)** Priya

Reason:

Under Section 5 of the LLP Act, 2008, an LLP is required to have at least two partners at all times. If the number of partners falls below two, and the LLP continues its business for more than six months with only one partner, the remaining partner becomes personally liable for all obligations incurred during that period. In this scenario, if EcoCorp Limited also leaves the LLP, Priya would be the sole remaining partner. Since the LLP continued business with only one partner beyond the allowed period, Priya becomes personally liable for all financial obligations incurred during that time.

CASE SCENARIO 22

Sudeep and Ankit are very fast friend since long. They decided to run a service unit which will provide "Financial and Investment Consultancy Services". For this purpose they formed a limited liability partnership under the name M/s Etharkkum Advisors LLP on 17th April 2020. For this purpose, they prepared a Limited Liability Partnership Deed of which one of the clauses provides that a new partner may be admitted in the LLP with capital contribution which may be in kind or cash. Further new partner is also required to deposit the agreed amount of capital contribution within six months from the date of his admission.

After some time, office of the firm was destroyed due to an earthquake and the LLP was in urgent need of an office premises and some funds for some renovation work.

It is also informed that M/s Etharkkum Advisors LLP approached Manoj on 1st January 2023 to join the firm as third partner. Manoj was out of India for the period from 1st September 2021 to 23rd December 2022. He agreed to join the LLP and also agreed to contribute his office premises at Sanjay Place, Palwal and funds of ₹ 5,00,000 as Capital Contribution in the firm. Manoj joined the firm on 25th January 2023 as limited liability partner. The above said office premises was purchased by Manoj five years ago for ₹ 25,00,000 but the fair market value of this office on 25th January 2023 was ₹ 32,25,000 and on 1st January 2023 was ₹ 30,00,000. Manoj has provided his office to the firm with effect from his admission and promised to deposit the agreed amount of ₹ 5,00,000 within six months as provided in the partnership deed. Before Manoj could deposit the amount with the firm, it was dissolved. Manoj denied to deposit the amount of ₹ 5,00,000 with the contention that he is liable only upto the amount contributed in the firm on the date of dissolution. A creditor of the firm sued Manoj to deposit the said amount so that the firm may pay off his liability.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under: -

MULTIPLE CHOICE QUESTIONS

1. Whether Manoj could be considered as resident or not as per the Limited Liability Act, 2008?
 - (a) Manoj could not be considered resident in India as he was not in India for 182 days in preceding one year
 - (b) Manoj could not be considered resident in India as he was not in India for 120 days in preceding one year i.e. only for 33 days from 24th December 2022 to 25th January 2023
 - (c) Manoj could not be considered as he was not in India for 182 days during the financial year
 - (d) Manoj will be considered as resident in India as he was in India for 120 days during the financial year (2021- 2022)
2. What would be the worth of Capital Contribution by Manoj?
 - (a) ₹ 25,00,000
 - (b) ₹ 32,25,000
 - (c) ₹ 37,25,000
 - (d) ₹ 35,00,000
3. Whether Manoj will be liable to contribute ₹ 5,00,000 after dissolution of the firm?
 - (a) Yes, because a partner is personally liable for the deficiency arising at the time of dissolution of LLP.
 - (b) No, because a partner is never personally liable for the deficiency arose at the time of dissolution of LLP.
 - (c) Yes, the partner is under obligation to contribute money also to LLP as per the agreement.
 - (d) No, because a partner is personally liable only upto the amount contributed to the LLP on the date of dissolution of LLP.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** Manoj will be considered as resident in India as he was in India for 120 days during the financial year (2021- 2022)

Reason:

Resident in India: The term "resident in India" means a person who has stayed in India for a period of not less than one hundred twenty days during the financial year.

Manoj will be considered as he was in India for 120 days during the financial year i.e. for 153 days from 01.04.2023 to 31.08.2022. (In the financial year 2021 -2022)

2. **Option (c)** ₹ 37,25,000

Reason:

Section 32 provides that a contribution of a partner may consist of tangible, movable or immovable or intangible property or other benefit to the limited liability partnership, including money, promissory notes, and other agreements to contribute cash or property, and contracts for services performed or to be performed.

The monetary value of contribution of each partner shall be accounted for and disclosed in the accounts of the limited liability partnership in the manner as may be prescribed.

(i.e. Monetary Value of Office Premises on the date of admission ₹ 32,25,000 + Cash of ₹ 5,00,000)

3. **Option (c)** Yes, the partner is under obligation to contribute money also to LLP as per the agreement.

Reason:

Yes, a partner is under obligation to contribute money to LLP as per the agreement.

Section 33 provides that the obligation of a partner to contribute money or other property or other benefit or to perform services for a limited

liability partnership shall be as per the limited liability partnership agreement.

Further, a creditor of a limited liability partnership, which extends credit or otherwise acts in reliance on an obligation described in that agreement, without notice of any compromise between partners, may enforce the original obligation against such partner.

CASE SCENARIO 23

In 2023, Tech Innovations LLP was established as a Limited Liability Partnership under the Limited Liability Partnership Act, 2008. The LLP was formed with two partners: Alex and Jordan, who contributed equally to the capital. Alex contributed ₹ 5,00,000, while Jordan also contributed ₹ 5,00,000. The firm was registered with the Registrar of Companies on 1st April, 2023.

Tech Innovations LLP's operations focused on software development and technology consulting. As per the LLP agreement, both partners shared profits and losses equally. The LLP agreement also stipulated that any changes in the partnership, such as the addition of a new partner or transfer of interest, required the consent of both existing partners.

In June 2024, Tech Innovations LLP decided to admit a new partner, Priya, who brought in ₹ 2,00,000 as her capital contribution. This change was duly recorded and filed with the Registrar of Companies. Furthermore, the LLP decided to hold an annual general meeting within six months from the end of the financial year to approve financial statements and discuss business matters.

On the basis of above facts and by applying applicable provisions of the Limited liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

MULTIPLE CHOICE QUESTIONS

1. As per the LLP Act, 2008, what is required for admitting a new partner into the LLP?
 - (a) The consent of one existing partner- Only Alex
 - (b) A majority vote of existing partners- Either Alex or Jordan
 - (c) The consent of all existing partners- Both Alex and Jordan
 - (d) Approval from the Registrar of Companies

-
2. When is Tech Innovations LLP required to hold its annual general meeting?
- (a) By 30th April, 2024
 - (b) By 30th June, 2024
 - (c) By 31st July, 2024
 - (d) By 30th September, 2024

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** The consent of all existing partners- Both Alex and Jordan

Reason:

The LLP agreement stipulated that any changes in the partnership, such as admitting a new partner, required the consent of all existing partners.

2. **Option (d)** by 30th September, 2024

Reason:

The LLP Act requires that the annual meeting must be held within six months from the end of the financial year to approve financial statements and discuss business matters.

CASE SCENARIO 24

Rahul and Meenakshi, two young entrepreneurs, founded “Educom Innovators LLP” under the Limited Liability Partnership Act, 2008, with a focus on providing digital education solutions. Rahul brought technical expertise, while Meenakshi managed the business operations. According to the LLP Agreement, both contributed equally and shared profits equally. After two years of growth, they decided to admit Anshul, an industry expert, as a partner to expand their reach. Anshul agreed to contribute additional capital and bring industry contacts. However, shortly after joining, Anshul discovered that certain key compliance filings, including Form 11 (Annual Return) and Form 8 (Statement of Accounts and Solvency), were pending. Concerned, Anshul wanted to understand his liability and insisted that the LLP immediately address the compliance issues. Meanwhile, Rahul proposed to amend the LLP Agreement to reflect Anshul’s new profit-sharing ratio and allocate specific decision-making powers to him. As they worked through these matters, they consulted a legal advisor to understand how the Limited Liability Partnership Act, 2008, impacted their responsibilities, liabilities, and compliance obligations.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-3) given herein under:

MULTIPLE CHOICE QUESTIONS

1. When Anshul joined Educom Innovators LLP, he discovered that key compliance filings, including the Annual Return and Statement of Accounts and Solvency, were pending. What is Anshul’s liability as a newly admitted partner concerning these past compliance lapses?
 - (a) Anshul has no liability for past compliance lapses since he was not a partner when they occurred.
 - (b) Anshul shares equal liability for past compliance lapses because he is now a partner in the LLP.
 - (c) Anshul is only liable if the LLP Agreement specifically assigns responsibility to him for compliance.

- (d) Anshul's liability for past compliance is limited to his capital contribution in the LLP.
- 2. In light of Anshul's concern about the pending compliance filings, which of the following best describes the responsibilities of the partners in Educom Innovators LLP regarding compliance with the LLP Act, 2008?
 - (a) Only the designated partners are responsible for ensuring compliance with filing obligations under the LLP Act.
 - (b) All partners, including new partners like Anshul, are equally responsible for compliance, regardless of the LLP Agreement.
 - (c) Compliance responsibilities can only be assigned to one partner, who will bear full accountability.
 - (d) The legal advisor is responsible for handling compliance, and the partners have no liability once they hire legal counsel.
- 3. Suppose in the given scenario, Educom Innovators LLP fails to file the Statement of Account and Solvency or Annual Return for any five consecutive financial years, which of the following could occur?
 - (a) Educom Innovators LLP may be wound up the Tribunal
 - (b) Takeover of Educom Innovators LLP by the persons appointed by the Registrar of Companies
 - (c) Revocation of all partner rights until filings are complete
 - (d) The losses for these 5 consecutive years shall be shared equally by all the partners irrespective of the profit sharing ratio as decided in the LLP agreement.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** Anshul has no liability for past compliance lapses since he was not a partner when they occurred.

Reason:

Under the LLP Act, 2008, a newly admitted partner is not liable for any obligations or compliance failures that occurred before their admission to the LLP, unless the LLP Agreement specifically states otherwise.

2. **Option (a)** Only the designated partners are responsible for ensuring compliance with filing obligations under the LLP Act.

Reason:

Under the LLP Act, 2008, designated partners are primarily responsible for ensuring that the LLP meets its statutory filing obligations. Non-designated partners are not directly liable unless specified otherwise in the LLP Agreement.

Annual Return [Section 35]

- (1) Every LLP shall file an annual return duly authenticated with the Registrar within 60 days of closure of its financial year in such form and manner and accompanied by such fee as may be prescribed.
- (2) Penalty for non-filing of annual return –
 - LLP – ₹ 100 per day subject to maximum ₹ 1,00,000
 - Every Designated Partners - ₹ 100 per day subject to maximum ₹ 50,000

3. **Option (a)** Educom Innovators LLP may be wound up the Tribunal

Reason:

Circumstances in which LLP may be wound up by Tribunal [Section 64]: A LLP may be wound up by the Tribunal:

- (a) if the LLP decides that LLP be wound up by the Tribunal;
- (b) if, for a period of more than six months, the number of partners of the LLP is reduced below two;
- (c) if the LLP has acted against the interests of the sovereignty and integrity of India, the security of the State or public order;
- (d) if the LLP has made a default in filing with the Registrar the Statement of Account and Solvency or annual return for any five consecutive financial years; or

CASE SCENARIO 25

Greenfield LLP and Bluewave LLP were two thriving businesses operating in the renewable energy sector. Greenfield LLP specialized in solar panel manufacturing, while Bluewave LLP was known for its innovations in wind turbine technology. Both companies saw a strategic opportunity to join forces and create a more comprehensive renewable energy solution provider. They decided to merge into a single entity, to be named EcoFuture LLP.

To facilitate this merger, the management of both companies proposed a scheme of compromise and arrangement under Section 60 of the LLP Act. They approached the Tribunal to sanction this scheme, which involved transferring all assets, liabilities, and ongoing legal proceedings of both Greenfield LLP and Bluewave LLP to EcoFuture LLP.

The Tribunal reviewed the proposal and found that the merger scheme was designed for the reconstruction and amalgamation of Greenfield LLP and Bluewave LLP. The Tribunal issued an order under Section 62, sanctioning the scheme and setting forth several provisions to ensure a smooth transition:

1. All assets and liabilities of Greenfield LLP and Bluewave LLP were to be transferred to EcoFuture LLP.
2. Any ongoing legal proceedings involving either of the original LLPs would continue under the name of EcoFuture LLP.
3. Both Greenfield LLP and Bluewave LLP would be dissolved without the need for winding up.

However, a few partners from Greenfield LLP were not in favor of the merger. They dissented from the compromise and arrangement. The Tribunal provided specific directions to ensure that their interests were adequately addressed.

After the order was made, both LLPs had to file a certified copy of the Tribunal's order with the Registrar within 30 days for registration. Unfortunately, due to some administrative delays, this filing was not completed within the stipulated time, leading to penalties for both EcoFuture LLP and its designated partners.

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the

correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-3) given herein under:

MULTIPLE CHOICE QUESTIONS

1. What was the main purpose of the scheme proposed between Greenfield LLP and Bluewave LLP?
 - (a) To dissolve both LLPs.
 - (b) To transfer all assets to a third party.
 - (c) For the reconstruction and amalgamation of the LLPs.
 - (d) To liquidate the companies.
2. What authority does the Tribunal have when it sanctions a compromise or arrangement under Section 60?
 - (a) It can only supervise the arrangement.
 - (b) It has no authority after sanctioning the arrangement.
 - (c) It can supervise, modify, and give directions for the arrangement.
 - (d) It can dissolve the LLPs directly without any conditions.
3. What penalty applies if an LLP fails to comply with the 30-day filing requirement?
 - (a) Immediate dissolution of the LLP.
 - (b) A fine of ₹ 10,000 and additional penalties for continuing contravention.
 - (c) Suspension of all business activities.
 - (d) Revocation of the Tribunal's order.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (c)** For the reconstruction and amalgamation of the LLPs.

Reason:

The scheme was proposed to combine the strengths of both LLPs into a single, more comprehensive entity, EcoFuture LLP, which is a clear case of reconstruction and amalgamation.

2. **Option (c)** It can supervise, modify, and give directions for the arrangement.

Reason:

Section 60 provides the Tribunal with the power to supervise the carrying out of the arrangement, give directions, and make necessary modifications.

3. **Option (b)** A fine of ₹10,000 and additional penalties for continuing contravention.

Reason:

If there is a default in complying with the 30-day filing requirement, the LLP and its designated partners are liable to a penalty of ₹10,000 and a further penalty of ₹100 per day for continued contravention, subject to specified maximum limits.

CASE SCENARIO 26**The General Clauses Act, 1897**

In 2024, New Limited, a company specializing in international trade, needed to send an important notice to one of its clients, Mr. A, regarding a contractual amendment. According to the company's internal regulations and the contract terms, the notice had to be served by post.

On April 15, 2024, the company's legal department prepared the notice and addressed it to Mr. A at his registered address. The notice was properly addressed, prepaid, and sent via registered post with acknowledgment due to ensure the highest level of confirmation for delivery.

A few days later, on April 20, 2024, the notice was returned with a stamp indicating that it was "not claimed" by Mr. A. The legal department recorded the return of the notice and noted the endorsement.

The company's legal advisor referred to past case laws for similar scenarios to ensure that the notice was considered legally served under section 27 of the General Clauses Act, 1897. They reviewed the following precedents:

United Commercial Bank v. Bhim Sain Makhija: It was noted that merely sending a notice by registered post without the acknowledgment due did not provide sufficient legal protection for proving service.

Jagdish Singh v. Natthu Singh: This case demonstrated that if a notice sent by registered post was returned with a refusal endorsement, it was considered served.

Smt. Vandana Gulati v. Gurmeet Singh alias Mangal Singh: It was established that if a notice sent by registered post to a proper address was returned with an endorsement like "not claimed", it was deemed served unless proven otherwise.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 1-3) given herein under:

MULTIPLE CHOICE QUESTIONS

1. According to section 27 of the General Clauses Act, 1897, what three conditions must be fulfilled for a service by post to be deemed effective?
 - (a) Properly addressed, Pre-paid, and Posting by ordinary post
 - (b) Properly addressed, Pre-paid, and Posting by registered post
 - (c) Properly addressed, Pre-paid, and Sending by courier
 - (d) Properly addressed, Pre-paid, and Hand delivery
2. In the case of *United Commercial Bank v. Bhim Sain Makhija*, why was the presumption of service under registered post found to be insufficient?
 - (a) Because the notice was sent by ordinary post
 - (b) Because the notice was sent by registered post but not with acknowledgment due
 - (c) Because the address was incorrect
 - (d) Because the recipient did not respond
3. What does the case of *Jagdish Singh v. Natthu Singh* demonstrate about the service of notice?
 - (a) Notice sent by registered post without return endorsement is invalid
 - (b) Notice sent by registered post and returned with refusal endorsement is deemed served
 - (c) Notice sent by ordinary post is deemed served if not returned
 - (d) Notice served by hand delivery is always valid

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** Properly addressed, Pre-paid, and Posting by registered post

Reason:

“Meaning of Service by post” [Section 27]: Where any legislation or regulation requires any document to be served by post, then unless a different intention appears, the service shall be deemed to be effected by:

- (i) Properly addressing
- (ii) Pre-paying, and
- (iii) Posting by registered post.

2. **Option (b)** Because the notice was sent by registered post but not with acknowledgment due

Reason:

The case of *United Commercial Bank v. Bhim Sain Makhija* highlighted the importance of obtaining an acknowledgment due when sending notices by registered post. Without an acknowledgment due or return endorsement, the sender may lack conclusive proof of delivery or refusal. In this case, the court emphasized that merely sending a notice by registered post, without acknowledgment due or evidence of delivery, does not provide adequate protection under the presumption of service.

3. **Option (b)** Notice sent by registered post and returned with refusal endorsement is deemed served

Reason:

The case of *Jagdish Singh v. Natthu Singh* clarified that if a notice is sent by registered post and the postal authorities return it with an endorsement indicating refusal by the recipient, it is deemed served. Refusal by the addressee is considered equivalent to delivery under Section 27 of the General Clauses Act, 1897, as the sender has fulfilled their obligation to properly address, prepay, and send the notice via registered post.

CASE SCENARIO 27

Sunrise Technologies Private Limited ("STPL") was in process of establishing its new software development center in Pune. On 28th February, 2024, the Board of Directors passed a resolution to purchase a property consisting of:

- A three-storey building
- 25 acres of agricultural land adjacent to the building
- 100 motor cars
- An orchard with 100 fruit-bearing trees

The company received a government notification dated 15th March, 2024, requiring all new technology centers to obtain special clearance within 45 days of establishment. The notification mentioned that existing orders under the previous Technology Parks Act (which was repealed and replaced by new legislation) would continue to remain valid. The notification was to be served to all concerned parties through registered post.

The Managing Director has approached you to understand various legal aspects under the General Clauses Act, 1897.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

MULTIPLE CHOICE QUESTIONS

1. With respect to the property being purchased by STPL, which of the following would not qualify as "immovable property" under the General Clauses Act, 1897?
 - (a) The orchard with fruit-bearing trees
 - (b) Motor cars
 - (c) The three-storey building
 - (d) The agricultural land

2. The government notification requires clearance "within 45 days". If the notification was received on 20th March, 2024, and the 45th day falls on Sunday, 4th May, 2024, what would be the last date for obtaining clearance?
 - (a) 3rd May, 2024
 - (b) 4th May, 2024
 - (c) 5th May, 2024
 - (d) 6th May, 2024
3. Regarding the service of notification by registered post, which of the following is correct?
 - (a) Service is complete only when STPL acknowledges receipt
 - (b) Service is deemed complete when properly addressed, prepaid and posted
 - (c) Service is complete on actual delivery to STPL
 - (d) Service requires both registered post and acknowledgment due
4. Concerning the previous orders under the repealed Technology Parks Act, which statement is correct?
 - (a) All previous orders automatically become void
 - (b) Previous orders continue to be valid unless explicitly cancelled
 - (c) Previous orders require fresh validation under new law
 - (d) Previous orders are valid for only 6 months after repeal

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** Motor cars

Reason:

As per Section 3(26) of the General Clauses Act, immovable property includes land, benefits arising out of land, and things attached to the earth or permanently fastened to anything attached to the earth. The mobile

unit, though temporarily fixed, is by nature movable and not permanently fastened, unlike the building, trees, or land.

2. Option (c) 5th May, 2024

Reason:

As per Section 10 of the General Clauses Act, when the last day of a prescribed period falls on a day when the office is closed (Sunday in this case), the act/proceeding shall be considered as done in due time if done on the next working day.

3. Option (b) Service is deemed complete when properly addressed, prepaid and posted

Reason:

Under Section 27 of the General Clauses Act, service by post is deemed to be effected by properly addressing, prepaying and posting by registered post, unless a different intention appears.

4. Option (b) Previous orders continue to be valid unless explicitly cancelled

Reason:

As per Section 6 of the General Clauses Act, the repeal shall not affect previous operations of enactment so repealed or anything duly done thereunder, unless a different intention appears.

CASE SCENARIO 28

Green World Organics Limited ("GWO") is establishing an integrated organic food processing facility in Karnataka. On 15th January, 2024, the Central Food Safety Authority issued a comprehensive notification containing following requirements:

- All new food processing units must employ qualified Quality Assurance Officers ("QAOs") for each processing line
- The Managing Director of the company is authorized to appoint such QAOs, with appointment letters to be issued "within 30 days from selection"
- Each QAO must obtain mandatory certification from Food Safety Regulatory Board within "21 days from appointment"
- The facility must install specified safety equipment by 1st March, 2024
- Monthly compliance reports must be submitted from "1st to 7th of every month"

On 10th February, 2024, while implementing these requirements, GWO faced following situations:

- (a) A selected QAO candidate was found submitting forged experience certificates
- (b) Another QAO, after appointment, failed to maintain safety protocols leading to minor contamination
- (c) The 21st day for certification of one QAO fell on 29th February, 2024 (when the certification office was closed for local holiday), followed by weekend
- (d) The contamination incident violated both Food Safety Act and State Public Health Act

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

MULTIPLE CHOICE QUESTIONS

1. Regarding Managing Director's authority over QAOs, which power is available without explicit mention?
 - (a) Power to accept resignation only
 - (b) Power to suspend but not dismiss
 - (c) Power to transfer between units
 - (d) Power to suspend and dismiss
2. If a QAO is selected on 25th January, 2024, what is the last date for issuing appointment letter?
 - (a) 23rd February, 2024
 - (b) 24th February, 2024
 - (c) 25th February, 2024
 - (d) 26th February, 2024
3. Regarding the contamination incident violating two Acts, what is the correct legal position?
 - (a) Only major violation should be prosecuted
 - (b) Only Food Safety Act being special law applies
 - (c) Company can be prosecuted under either/both but punished only once
 - (d) Both Acts must be independently enforced

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. Option (d) Power to suspend and dismiss**Reason:**

Under the doctrine of necessary implication and principles of administrative law, powers necessary for the effective execution of a duty are implied if not explicitly mentioned. The authority to appoint inherently includes the power to suspend and dismiss employees for misconduct, as

it is essential for maintaining discipline and efficiency. This is supported by the General Clauses Act, 1897, which states that the power to appoint includes the power to remove.

2. Option (b) 24th February, 2024

Reason:

As per the notification, the appointment letter must be issued "within 30 days from selection." Counting 30 days from 25th January, 2024 (excluding 25th January, 2024), the last day falls on 24th February, 2024.

3. Option (c) Company can be prosecuted under either/both but punished only once

Reason:

When an act violates provisions of both a general law (State Public Health Act) and a special law (Food Safety Act), the company can be prosecuted under either or both laws. However, as per the doctrine of double jeopardy under Article 20(2) of the Constitution and related legal principles, the company cannot be punished more than once for the same offense. Courts often ensure that penalties are harmonized to prevent excessive punishment.

CASE SCENARIO 29

DigiTech Solutions Private Limited ("DSPL"), established in 2015, has emerged as a leading player in digital payment solutions, serving over 2 million merchants across India. In early 2024, following the government's new regulatory framework for digital payment companies, DSPL received several important communications from the Digital Payment Regulatory Authority ("DPRA"):

1. A comprehensive notice dated 1st March, 2024, detailing new compliance requirements under the Digital Payment Rules, 2024. The notice outlined:
 - Mandatory upgrading of security protocols
 - Implementation of enhanced KYC norms
 - Integration with the central monitoring system
 - New customer grievance redressal mechanism
 - The notice specified that all requirements must be complied with "within 21 days from service" and was dispatched via registered post on 2nd March, 2024.
2. A significant order dated 10th March, 2024, from the Ministry of Finance, appointing the Regional Director (Western Region) ex-officio as DSPL's regulatory supervisor. The order granted extensive supervisory powers including:
 - Monthly audit of transaction records
 - Quarterly inspection of security measures
 - Review of customer complaint handling
 - Oversight of compliance procedures
3. A notification from DPRA extending DSPL's existing operational license till "year ending December", subject to adherence to all regulatory requirements.

During this period, DSPL was undergoing significant infrastructural changes. The company's office at Mumbai headquarters remained closed for comprehensive renovation during March 20-22, 2024, with March

23-24 being Saturday-Sunday. The renovation was crucial for upgrading the company's technological infrastructure to meet new regulatory requirements.

A unique aspect of DSPL's operations was its blockchain division, which operated through a specially designed structure. This facility, though assembled as a temporary setup for flexibility in upgrading, housed high-end servers worth ₹ 50 crore that were permanently placed on the floor. The servers were connected through an intricate network of cables and cooling systems integrated into the structure.

The company's compliance team, led by Chief Compliance Officer Ms. X, was particularly concerned about interpreting various timelines and requirements under these communications, especially considering the office closure period and the need for seamless integration of new compliance requirements with existing operations.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

MULTIPLE CHOICE QUESTIONS

1. If the 21st day falls on 23 March (Saturday), what would be last date for compliance?
 - (a) 22 March, 2024
 - (b) 23 March, 2024
 - (c) 24 March, 2024
 - (d) 25 March, 2024
2. Regarding Regional Director's ex-officio appointment, which is correct?
 - (a) Appointment valid only if Regional Director named personally
 - (b) Appointment valid only during current Regional Director's tenure
 - (c) Appointment continues for any person holding Regional Director post

- (d) Appointment requires separate order for each new Regional Director
- 3. The license extension till "year ending December" means:
 - (a) 1 December, 2024
 - (b) 31 December, 2024
 - (c) First week of December 2024
 - (d) Last week of December 2024

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** 25 March, 2024

Reason:

Section 10 of the General Clauses Act, 1897, states that if the last day of a prescribed period for doing an act falls on a holiday (including Sundays or public holidays), the act can be lawfully done on the next working day. Since DSPL's office was closed on March 23 (Saturday) and March 24 (Sunday), the last date for compliance would shift to March 25, 2024 (Monday).

2. **Option (c)** Appointment continues for any person holding Regional Director post

Reason:

An "ex-officio" appointment attaches to the office, not the individual. This means the powers and responsibilities granted to the Regional Director will pass to whoever holds the office of the Regional Director (Western Region) at any given time, without requiring a fresh appointment order.

3. **Option (b)** 31 December, 2024

Reason:

The phrase "year ending December" generally refers to the end of the calendar year, which is December 31, 2024, unless specified otherwise. This interpretation aligns with standard legal and business practices for defining a year.

CASE SCENARIO 30

M/s Aryan & Aryan LLP was registered on 2nd July 2019. Sudeep and Ankit were partners in the firm. Both Sudeep and Ankit were also the designated partners in this firm. The LLP deals in manufacturing and trading of electric ceiling fans. One day Sudeep met with Mr. Kishore, a director of Krtiken Electronics Private Limited. After discussion, Mr. Kishore showed interest that Krtiken Electronics Private Limited may work with M/s Aryan & Aryan LLP as partner.

Krtiken Electronics Private Limited was incorporated on 1st June 2017 with the object to deal in electronics. The memorandum and articles of association of Krtiken Electronics Private Limited also authorised it to work as partner in a LLP.

The partners of M/s Aryan & Aryan LLP and directors of Krtiken Electronics Private Limited approached a professional consultant Mrs. Archika Jain for providing the procedure for adding Krtiken Electronics Private Limited as a partner in M/s Aryan & Aryan LLP. She advised that Krtiken Electronics Private Limited could not be the partner in M/s Aryan & Aryan LLP because as per Limited Liability Partnership Act 2008, an individual or a body corporate can be a partner in LLP. She informed that the term 'body corporate' was defined in the Limited Liability Partnership Act, 2008 as a company which is defined in section 3 of the Companies Act, 1956. As Krtiken Electronics Private Limited is registered under Companies Act 2013, it cannot be termed as body corporate. On the advice of Mrs. Archika Jain, M/s Aryan & Aryan LLP dropped the idea to add Krtiken Electronics Private Limited.

It is further informed that Ms. Shanaya was admitted as a new partner in the firm on 17th January 2024. The firm intimated the registrar about her admission on 31st January 2024. On 3rd February 2024, while going to office Ms. Shanaya met with an accident and lost her memory. The doctor declared her of unsound mind to work as partner in M/s Aryan & Aryan LLP. It was also confirmed by a competent court.

On the basis of above facts and by applying applicable provisions of the General Clauses Act, 1897 therein, choose the correct answer (one out of four) of the following MCQs (1-3) given herein under:-

MULTIPLE CHOICE QUESTIONS

1. Whether Krtiken Electronics Private Limited could be partner in M/s Aryan & Aryan LLP?
 - (a) No, as Krtiken Electronics Private Limited is not a body corporate as per the definition of "Body Corporate" given in Limited Liability Partnership Act, 2008.
 - (b) Yes, because section 8 of the General Clauses Act, 1897 provides where any Act or Regulation made after the commencement of this Act, repeals and re-enacts, with or without modification, any provision of a former enactment, then references in any other enactment or in any instrument to the provision so repealed shall, unless a different intention appears, be construed as references to the provision so re-enacted. Therefore, after the enactment of Companies Act, 2013, the definition of "Body Corporate" should be construed as a company which is defined in section 2(20) of the Companies Act, 2013.
 - (c) No, as provisions of section 8 of the General Clauses Act, 1897 will not be applicable because the Limited Liability Partnership (Amendment) Act, 2021, which amended the definition of "Body Corporate" considering the company registered under Companies Act, 2013, come to effect from 01.04.2022.
 - (d) Yes, as the provisions of the General Clauses Act, 1897 are not applicable while interpreting the provisions of the Limited Liability Partnership Act, 2008.
2. Following the provisions of Limited Liability Act, 2008 read with the General Clauses Act, 1897, what should be the last date to inform the registrar about the admission of Ms. Shanaya.
 - (a) 15th February 2024
 - (b) 16th February 2024
 - (c) 17th February 2024
 - (d) 18th February 2024

3. What would be the status of Ms. Shanaya in the firm, M/s Aryan & Aryan LLP after the accident?
- (a) She would continue as a partner in M/s Aryan & Aryan LLP even after being declared as of unsound mind.
 - (b) Section 24(2) of the Limited Liability Partnership Act, 2008 provides that a person shall cease to be a partner of a LLP if he is declared to be of unsound mind by a competent court. As this sub – section provides only for male person (“he”), she would continue as a partner in M/s Aryan & Aryan LLP.
 - (c) Following the provisions of the General Clauses Act, 1897 which provides that in all legislations and regulations, unless there is anything repugnant in the subject or context words importing the masculine gender shall be taken to include females. Hence, Ms. Shanaya will cease to be a partner M/s Aryan & Aryan LLP.
 - (d) She can continue as partner if all other partners agree for that.

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** Yes, because section 8 of the General Clauses Act, 1897 provides where any Act or Regulation made after the commencement of this Act, repeals and re-enacts, with or without modification, any provision of a former enactment, then references in any other enactment or in any instrument to the provision so repealed shall, unless a different intention appears, be construed as references to the provision so re-enacted. Therefore, after the enactment of Companies Act, 2013, the definition of “Body Corporate” should be construed as a company which is defined in section 2(20) of the Companies Act, 2013.

Reason:

Yes, because section 8 of The General Clauses Act, 1897 provides where any Act or Regulation made after the commencement of this Act, repeals and re-enacts, with or without modification, any provision of a former enactment, then references in any other enactment or in any instrument to the provision so repealed shall, unless a different intention appears, be construed as references to the provision so re-enacted. Therefore, after

the enactment of Companies Act, 2013, the definition of "Body Corporate" should be construed as a company which is defined in section 2(20) of the Companies Act, 2013.

2. Option (b) 16th February 2024

Reason:

Under the provisions of the LLP Act, a firm is required to inform ROC within 30 days of admission of new partner i.e. from 18/01/2022 to 16/02/2022. As per the General Clauses Act 1897, in this series of 30 days, 17/01/2022 will be excluded and last 30th day i.e. 16/02/2022 will be included.

Section 25 of LLP

A LLP shall—

- (a) where a person becomes or ceases to be a partner, file a notice with the Registrar within 30 days from the date he becomes or ceases to be a partner;

3. Option (c) Following the provisions of the General Clauses Act, 1897 which provides that in all legislations and regulations, unless there is anything repugnant in the subject or context words importing the masculine gender shall be taken to include females. Hence, Ms. Shanaya will cease to be a partner M/s Aryan & Aryan LLP.

Reason:

Following the provisions of section 13 of the General Clauses Act 1897 which provides that in all legislations and regulations, unless there is anything repugnant in the subject or context words importing the masculine gender shall be taken to include females, section 24(2) will be applicable to Ms. Shanaya also. Hence, she ceased to be a partner M/s Aryan & Aryan LLP.

CASE SCENARIO 31**The Foreign Exchange Management Act, 1999**

Omx Software Private Limited is a private company and having its registered office in Bangalore and is a wholly owned subsidiary of Omx Software Inc, situated in USA. Mr. Rajat Kapoor, Mr. Shubham and Mr. Peter are directors of Omx Software Private Limited. Mr. Rajat and Mr. Shubham are Indian residents while Mr. Peter is a non-resident and stays in USA. Mr. Peter is also a director in Omx Software Inc.

Mr. Rajat left India on 2nd November, 2021 for the purpose of looking after the business of Omx Software Inc. Mr. Rajat came to back to India on 12th February, 2022 to meet his family and left India on 26th February, 2022 and went back to USA to look after the business of Omx Software Inc. Mr. Rajat again visited India on 25th August, 2022 and stays in India for the whole year.

Omx Software Private Limited had availed a consultancy service from a company situated in USA for development of software for the purpose of rendering service to its customers situated in India.

Mr. Rajat had purchased a residential property in USA on 27th April, 2022 which was self-occupied by him for his residential use.

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act, 1999, and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

MULTIPLE CHOICE QUESTIONS

1. Considering the provisions of the Foreign Exchange Management Act, 1999, which of the following options correctly determines the residential status of Mr. Rajat Kapoor:
 - (a) Mr. Rajat Kapoor to be treated as resident in India for Financial Year (FY) 2022-2023 and FY 2023-2024 since he stays in India for more than 182 days

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- (b) Mr. Rajat Kapoor to be treated as non-resident in India for FY 2022-2023 since he left India for the purpose of carrying business of Omx Software Inc and resident for FY 2023-2024
 - (c) Mr. Rajat Kapoor to be treated as non-resident for FY 2022-2023 and FY 2023-2024
 - (d) Mr. Rajat Kapoor to be treated as resident in India for FY 2022-2023 since he stays in India for more than 182 days and non-resident for FY 2023-2024
2. Considering the provisions of the Foreign Exchange Management Act, 1999, how much amount can company remit outside India:
- (a) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 1,000,000 per project
 - (b) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 100,000 per project
 - (c) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 200,000 per project
 - (d) Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 2,000,000 per project
3. Considering the provisions of the Foreign Exchange Management Act, 1999, in respect of purchase of residential property by Mr. Rajat in USA which of the following statement is correct?
- (a) Purchase of residential property by Mr. Rajat is a current account transaction
 - (b) Mr. Rajat has to sell his property before returning to India permanently as he becomes resident in subsequent years
 - (c) Purchase of residential property by Mr. Rajat is neither capital account transaction nor current account transaction

- (d) Purchase of residential property by Mr. Rajat is a capital account transaction

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** Mr. Rajat Kapoor to be treated as non-resident in India for FY 2022-2023 since he left India for the purpose of carrying business of Omx Software Inc and resident for FY 2023-2024

Reason:

Mr. Rajat would be treated as non-resident for FY 2022-23 as he went to US in FY 21-22 for the purpose of carrying the business in US and he would be treated as resident for FY 23-24 as he returned to India with an intention of permanent stay.

2. **Option (a)** Permissible amount remitted to US company for obtaining consultancy without obtaining prior approval of RBI is USD 1,000,000 per project

Reason:

No prior approval of RBI is required for making payment upto USD 1,000,000 per project.

3. **Option (c)** Purchase of residential property by Mr. Rajat is neither capital account transaction nor current account transaction

Reason:

Capital Account transaction is a transaction which alters assets or liabilities including contingent liabilities outside India of persons resident in India or assets or liabilities in India of persons resident outside India. At the time of purchase of property, Mr. Rajat was a non-resident and the property was purchased outside India, therefore, it is neither current account nor capital account transaction.

CASE SCENARIO 32

Mr. Arun Kumar, a software engineer from Bangalore, has been working with a US-based technology company in Silicon Valley for the past 4 years. In April 2023, he returned to India to establish a technology startup, Global Ventures Pvt. Limited. He maintained his foreign currency accounts in the US, containing earnings from his previous employment. His wife continues to work in the US.

During August 2023, Mr. Kumar undertook several transactions:

- He received USD 200,000 from his US savings account to invest in his Indian startup
- He gifted USD 75,000 to his brother in India for purchasing property
- He imported specialized software equipment worth USD 150,000 from a Singapore-based supplier on 3 months' credit
- He helped his wife (US-based) remit USD 40,000 for her parents' medical treatment in India

Global Ventures also set up a branch office in Singapore in October 2023, fully controlled and managed from its Bangalore headquarters. The company plans to raise foreign currency loans and explore various overseas investment opportunities.

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act, 1999, and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

MULTIPLE CHOICE QUESTIONS

1. Under FEMA, what would be Mr. Kumar's residential status for FY 2023-24?
 - (a) Person Resident in India from April 2023
 - (b) Person Resident Outside India throughout the year
 - (c) Person Resident in India only after completing 182 days

- (d) Person Resident Outside India till August 2023
- 2. Which of the following transactions by Mr. Kumar requires prior RBI approval?
 - (a) Receiving USD 200,000 from his own foreign account
 - (b) Gift of USD 75,000 to his brother
 - (c) Import of equipment on credit terms
 - (d) Setting up a branch office in Singapore
- 3. Mr. Kumar's wife's remittance of USD 40,000 for her parents' medical treatment in India:
 - (a) Is a capital account transaction requiring RBI approval
 - (b) Is a current account transaction permitted without any limit
 - (c) Is a prohibited transaction under FEMA
 - (d) Requires approval since it exceeds USD 25,000
- 4. For raising foreign currency loans for Global Ventures, which regulatory framework would apply?
 - (a) Only RBI regulations for debt instruments
 - (b) Only Central Government regulations
 - (c) Both RBI and Central Government regulations based on the type of instrument
 - (d) No regulations since it's a technology company

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** Person Resident in India from April 2023

Reason:

Under the Foreign Exchange Management Act (FEMA), a "Person Resident in India" (PR in India) is defined as a person who has been in India for more than 182 days during the preceding financial year, with certain exceptions (such as for students or people on short trips). Since Mr. Kumar

returned to India in April 2023 and established a business here, he would be considered a Person Resident in India starting from April 2023, as he has settled here.

2. Option (b) Gift of USD 75,000 to his brother

Reason:

Under FEMA, gifts from a resident to a resident are permissible, but gifts from a resident to a non-resident, or even a gift of large amounts to a resident, may require RBI approval. In this case, gifting USD 75,000 to his brother for property purchase is a capital account transaction, and since the amount exceeds the prescribed limits, it would require RBI approval.

3. Option (b) Is a current account transaction permitted without any limit

Reason:

Under FEMA, remittances for medical treatment in India are considered current account transactions and are permitted without any limit, as long as they are for genuine medical expenses. This remittance from Mr. Kumar's wife to her parents falls under this category and does not require RBI approval, as it is for a valid purpose.

4. Option (c) Both RBI and Central Government regulations based on the type of instrument

Reason:

For raising foreign currency loans, Global Ventures will need to adhere to both RBI regulations (for debt instruments like foreign currency loans) and Central Government regulations, especially if the loan terms or the foreign exchange exposure fall under certain restrictions. Both frameworks come into play depending on the nature and structure of the loan (e.g., secured, unsecured, type of repayment terms).

CASE SCENARIO 33

Neha Sharma, an Indian citizen and successful fashion designer in Paris for the past 8 years, decided to expand her business to India. In January 2024, she incorporated Glamour Designs Private Limited (GDPL) in Mumbai. Her business plan includes:

- Setting up a design studio in Mumbai
- Importing luxury fabrics from France
- Establishing an online retail platform
- Collaborating with European fashion houses

Initial transactions in February 2024 included:

- Received EUR 500,000 from her French business account
- Purchased commercial property in Mumbai for studio
- Hired French designers as consultants
- Opened a foreign currency account in Mumbai branch of an international bank

The company also plans to participate in international fashion shows and accept advance payments from foreign buyers.

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act, 1999, and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

MULTIPLE CHOICE QUESTIONS

1. What would be Neha's residential status under FEMA when she relocates to Mumbai in March 2024?
 - (a) Immediately becomes Person Resident in India
 - (b) Remains Person Resident Outside India for 182 days
 - (c) Has dual residential status

- (d) Retains French residential status until business setup
- 2. GDPL's receipt of advance payments from foreign buyers would be classified as:
 - (a) Capital Account Transaction requiring RBI approval
 - (b) Prohibited Transaction under FEMA
 - (c) Current Account Transaction permitted freely
 - (d) Special Category Transaction requiring government permission
- 3. Regarding the foreign currency account opened in Mumbai:
 - (a) Can hold unlimited foreign currency without restriction
 - (b) Must convert all receipts to INR immediately
 - (c) Can maintain balances as per FEMA regulations
 - (d) Must close account within 180 days

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (a)** Immediately becomes Person Resident in India

Reason:

According to FEMA, an individual is considered a "Person Resident in India" if they have been in India for more than 182 days during the preceding financial year. Since Neha is relocating to India, she would fulfill this condition and immediately be considered a Person Resident in India.

2. **Option (c)** Current Account Transaction permitted freely

Reason:

Under FEMA, transactions related to the import and export of goods and services are considered current account transactions, which are freely permitted. Advance payments from foreign buyers for goods or services fall under this category.

3. **Option (c)** Can maintain balances as per FEMA regulations

Reason:

Under FEMA, a foreign currency account opened by an Indian entity can hold foreign currency as per the guidelines set by the RBI. However, the funds in the account must be used for legitimate purposes such as imports and exports, and the account can be maintained as long as it complies with FEMA regulations.

CASE SCENARIO 34

TechFront Solutions, a Hyderabad-based startup founded by Mrs. Priya Reddy, specializes in blockchain technology and artificial intelligence solutions. After operating successfully in India for five years and achieving a turnover of ₹ 500 crore in FY 2022-23, the company initiated international expansion in December 2023.

Mrs. Reddy, holding a PhD in Computer Science from MIT and having worked with leading tech companies in Silicon Valley for a decade, returned to India in 2018 to establish TechFront Solutions. The company has grown from a team of 5 to over 500 employees, with expertise in blockchain, AI, and emerging technologies.

In pursuit of global expansion, TechFront Solutions has undertaken several strategic initiatives:

- Established a research center in Estonia focusing on quantum computing and blockchain integration, with an investment of EUR 2 million
- Launched cryptocurrency consulting services for institutional clients, navigating complex regulatory frameworks across jurisdictions
- Acquired 15% stake in Singapore-based Quantum Technologies Pte Limited for USD 5 million
- Created a wholly-owned subsidiary in Dubai (TechFront DMCC) for Middle East operations with an initial investment of USD 10 million

The current company structure includes:

- Indian parent company (TechFront Solutions) headquartered in Hyderabad's HITEC City
- Wholly-owned foreign subsidiary (TechFront DMCC, Dubai) managing Middle East and North Africa operations
- Research collaboration with three prominent Estonian universities, involving annual funding of EUR 1 million

- Strategic investment partnership with Quantum Technologies Pte Limited in Singapore, including technology transfer agreements

The company's expansion plans for 2024 include:

- Setting up a development center in Abu Dhabi through the Dubai subsidiary
- Expanding research partnerships to other European universities
- Launching a global blockchain certification program
- Developing cross-border payment solutions using blockchain technology

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act, 1999, and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions given herein under:

MULTIPLE CHOICE QUESTIONS

1. For the research collaboration with Estonian universities:
 - (a) Only RBI approval needed
 - (b) Only government approval needed
 - (c) Both RBI and government approval needed
 - (d) No prior approval needed if within LRS limits
2. The Singapore investment would be classified as:
 - (a) Automatic route investment
 - (b) Current account transaction
 - (c) Portfolio investment
 - (d) Restricted sector investment
3. For repatriating profits from Dubai subsidiary:
 - (a) Requires special permission
 - (b) Must wait for 3 years
 - (c) Can freely repatriate through normal banking channels

- (d) Must reinvest in India immediately

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (d)** No prior approval needed if within LRS limits

Reason:

Under FEMA, research collaborations are typically classified as current account transactions, and as long as they are within the Liberalized Remittance Scheme (LRS) limits (USD 250,000 per person per financial year), no prior approval from the Reserve Bank of India (RBI) or the government is required.

2. **Option (a)** Automatic route investment

Reason:

Investment in foreign companies (like the 15% stake in Quantum Technologies Pte Limited in Singapore) is typically covered under the automatic route for foreign direct investment (FDI), provided the sector is not subject to restrictions. Since there is no mention of any restriction or specific regulatory framework for this investment, it falls under the automatic route.

3. **Option (c)** Can freely repatriate through normal banking channels

Reason:

According to FEMA, profits from a foreign subsidiary, such as the Dubai-based TechFront DMCC, can generally be repatriated freely to India through normal banking channels, subject to applicable tax laws and regulatory compliance. There is no restriction on the repatriation of profits unless specified otherwise.

CASE SCENARIO 35

Amit, an Indian resident during the Financial Year (FY) 2021-2022, decided to pursue higher studies in Biotechnology in Switzerland. On 15th July 2022, he left India to begin his two-year academic program. The determination of Amit's residential status under the Foreign Exchange Management Act (FEMA), 1999, for the Financial Years 2022-2023 and 2023-2024, is crucial to understand his obligations and entitlements concerning foreign exchange transactions.

In terms of financial requirements, Amit needs USD 25,000 annually to cover his tuition fees. Additionally, he requires USD 30,000 annually for incidental expenses and living costs while studying abroad. Thus, his total annual requirement amounts to USD 55,000, making it imperative to assess the provisions under the Foreign Exchange Management Act, 1999, that govern the remittance of foreign.

On the basis of above facts and by applying applicable provisions of the Foreign Exchange Management Act, 1999, therein, choose the correct answer (one out of four) of the following MCQs (1-3) given herein under:

MULTIPLE CHOICE QUESTIONS

1. What would be Amit's residential status for FY 2022-2023 under FEMA, 1999?
 - (a) Resident in India
 - (b) Non-Resident Indian (NRI)
 - (c) Person of Indian Origin (PIO)
 - (d) Overseas Citizen of India (OCI)
2. What would be Amit's residential status for FY 2023-2024 under FEMA, 1999?
 - (a) Resident in India
 - (b) Non-Resident Indian (NRI)

- (c) Person of Indian Origin (PIO)
 - (d) Overseas Citizen of India (OCI)
3. Suppose now Amit wants more money for his living cost abroad. What is the maximum amount that can still be remitted abroad per financial year under the Liberalized Remittance Scheme (LRS)?
- (a) USD 100,000
 - (b) USD 195,000
 - (c) USD 200,000
 - (d) USD 500,000

ANSWERS TO MULTIPLE CHOICE QUESTIONS

1. **Option (b)** Non-Resident Indian (NRI)

Reason:

Under FEMA, 1999, the residential status of an individual is determined based on their stay in India during a specific financial year. An individual is considered a Non-Resident Indian (NRI) if they stay outside India for more than 182 days during the preceding financial year. In this case, Amit left India on 15th July 2022, which means he will be abroad for the majority of FY 2022-2023. Therefore, his residential status for the FY 2022-2023 will be that of an NRI.

2. **Option (b)** Non-Resident Indian (NRI)

Reason:

A person is considered a Non-Resident Indian (NRI) if they stay outside India for more than 182 days during the preceding financial year. As Amit is pursuing a two-year program in Switzerland, he will likely remain outside India throughout FY 2023-2024 as well, continuing his studies. Hence, he will maintain his status as an NRI for FY 2023-2024.

3. Option (b) USD 195,000**Reason:**

Under the Liberalized Remittance Scheme (LRS) of the Reserve Bank of India (RBI), an individual can remit up to USD 250,000 in a financial year for various purposes, including education and living expenses. However, Amit has already planned to remit USD 55,000 annually for his tuition and living costs. Therefore, if he has already remitted USD 55,000, the maximum additional amount he can remit in FY 2023-2024 is USD 195,000.