CA INTER

Law

THE MASTER NOTES





THE MASTER NOTES

CA Inter Law – The Ultimate One-Stop Solution!

This book is the perfect blend of conceptual clarity, exam relevance, and concise presentation, covering the entire CA Inter Law syllabus in just 220 pages without compromising on subject terminology. It is designed to help students **grasp concepts effortlessly and confidently score 80+ marks in exams.

- **Comprehensive Yet Concise** – Covers everything you need in just 220 pages, ensuring efficient preparation without unnecessary bulk.
- **Exam-Focused Approach** – Concepts are structured with side headings and logical breakdowns to help students understand the exact sub-questions tested in exams.
- **No Compromise on Terminology** – Maintains technical accuracy, ensuring that students write precise answers and maximize their scores.
- **Easy to Learn, Easy to Retain** – The content is presented in a way that makes learning simple, structured, and effective.

Your Key to Success in Law

With this book, mastering Law is no longer a challenge. It is designed to make learning seamless, improve retention, and build the confidence needed to excel in the CA Inter exams.

Wishing all students clarity, confidence, and outstanding success in their journey!

#0A6847 - Headings
#C84C32 - Key Words
#7030A0 - Key Words
#133E87 - Normal Text

Dear Students,

We've worked really hard to make this book as accurate and error-free as possible. We even went through multiple rounds of proofreading to ensure everything is clear and correct. But, being human, there's always a chance that some small errors might have slipped through.

If you do come across any, let us know and help us improve future editions of the book!

Thank you for your trust and support and wishing you all clarity, confidence and success

Warm regards,



LAW INDEX

Company Law

01 Preliminary > 01

02 Incorporation of Company > 05

03 Prospectus And Allotment Of Securities > 26

04 Share Capital & Debentures > 42

05 Acceptance of Deposits > 65

06 Registration of Charges > 74

07 Management & Administration > 82

08 Declaration and Payment of Dividend > 112

09 Accounts of Company > 120

10 Audit & Auditors > 141

11 Companies Incorporated Outside India > 158

12 The Limited Liability Partnership Act, 2008 > 166

Other Laws

13 The General Clauses Act 1897 > 185

14 Interpretation of Statutes > 196

15 The Foreign Exchange Management Act 1999 > 210

1. PRELIMINARY

1. Scope and Applicability

	Content
1.	Objective The Companies Act, 2013 consolidates and amends laws related to companies to align with changes in the economic environment and promote economic growth.
2.	Presidential Assent Received on 29-08-2013 and published in the Official Gazette on 30-08-2013.
3.	Enforcement Dates ✓ Sec 1: Effective from 30-08-2013. ✓ 98 sections: Effective from 12-09-2013. ✓ 143 sections: Enforced from 01-04-2014, and others followed.
4.	Structure ✓ Rule-based legislation. ✓ 470 sections divided into 29 chapters. ✓ 7 Schedules. ✓ Each chapter accompanied by at least one set of Rules.
5.	Purpose ✓ Improve corporate governance. ✓ Simplify regulations. ✓ Strengthen investor protection. ✓ Ensure corporate regulations remain contemporary.

2. Definition And Applicability of Companies Act

	Content
a.	Company [Sec. 2(20)] A Company means a company incorporated under the Companies Act, 2013 or any previous law.
b.	Short Title: Sec 1 states that the Act may be called the Companies Act, 2013.
c.	Extent: The Act extends to the whole of India.
d.	Application: The provisions of this Act apply to: a. Companies incorporated under this Act or any previous company law. b. Insurance Companies except where inconsistent with the Insurance Act, 1938 or the IRDA Act, 1999. c. Banking Companies except where inconsistent with the Banking Regulation Act, 1949. d. Electricity Companies except where inconsistent with the Electricity Act, 2003. e. Any company governed by a special Act (e.g., FCI, NHAI), unless inconsistent with that Act. f. Any body corporate specified by the CG through notification. Key Note The term "except in so far as" means that provisions of the Companies Act exclude inconsistent provisions of other relevant Acts (Insurance Act, Banking Act, etc.).

e.	Body corporate or Corporation includes a company incorporated outside India, but does not include— ✓ A co-operative society registered under any law relating to co-operative societies; and ✓ Any other body corporate (not being a company), which the CG may, by notification, specify in this behalf.

3. Classes of Companies based on Members

Based On Members	
1.	One Person Company (OPC) OPC means a company that has only one person as its member.
2.	Private Company [Sec. 2(68)] A private company is one that: a. Has a minimum PUSC as may be prescribed. b. By its AOA ✓ Restricts the right to transfer its shares. ✓ Limits members to 200 (except OPC - only 1 member). Note: ▪ Joint holders of shares are treated as a single member. ▪ Employees & former employees who were members of company while in that employment and have continues to be members after the employment ceased shall not be included in the member count. ✓ Prohibits any invitation to the public to subscribe for its securities. Exemption: Sec 8 Co. are exempt from minimum capital requirements if they have not defaulted u/s 137 (Filing of F/S) and u/s 92 (Annual Return).
3.	Public Company [Sec. 2(71)] a. A public company is one that: ✓ Is not a private company & ✓ Has a minimum PUSC as may be prescribed. b. A private company that is a subsidiary of a public company is deemed to be a public company.

4. Small Company

Content	
1.	A company, other than a public company, that meets the following criteria: ✓ Paid-up share capital ≤ ₹ 50 Lakhs or as prescribed, ≤ ₹ 10 Crores. ✓ Turnover (as per P&L account of the immediately preceding FY) ≤ ₹ 2 Crores or as prescribed, ≤ ₹ 100 Crores.
2.	Revised Limits: Paid-up capital ≤ ₹ 4 Crores & Turnover ≤ ₹ 40 Crores
3.	Exclusions: a. Holding company or Subsidiary of another company b. Section-8 companies c. Company or body corporate governed by a special Act d. Public companies

5. Associate, Holding and Subsidiary Companies

	On the Basis of Control
1.	Holding Company [Sec. 2(46)] A company in relation to one or more other companies, means a company of which such companies are subsidiary companies. In this clause, Company includes body corporate
2.	Subsidiary Company [Sec. 2(87)] A company is a subsidiary of a holding company if the holding company: ✓ Controls the composition of the Board of Directors. or ✓ Exercises/controls >50% of voting power, either: ▪ At its own or ▪ Together with one or more subsidiaries. Deemed Subsidiary: A company controlled indirectly through another subsidiary is also considered a subsidiary. Note: a. Holding companies cannot have layers of subsidiaries beyond a prescribed limit. b. Controls the composition of BOD: If a company can appoint/remove majority/all directors of another company at its discretion, it controls the BOD. c. Shares held as a trustee or in a fiduciary capacity do not make a company a subsidiary.
3.	Associate Company [Sec. 2(46)] A company where another company has significant influence, but it is not a subsidiary includes Joint Ventures a. Significant Influence: ✓ At least 20% control of total voting power. ✓ Control/participation in business decisions under an agreement. b. Joint Venture: A joint arrangement where parties with joint control have rights to the net assets of the arrangement. c. Shares held in a fiduciary capacity are not considered for determining the associate company relationship. d. Voting Power: Total number of votes that can be cast in a poll if all eligible members are present and vote.

6. Foreign Company And Government Company

	Content
1.	Foreign company (Sec. 2(42)) A Body Corporate, including a company incorporated outside India, which has: a. A place of business in India (through itself, an agent, or by physical/electronic mode). b. Conducts any business activity in India in any manner.
2.	Government Company (Sec. 2(45)) a. A company in which ≥51% of PUSC is held by CG or SG(s) or Partly by the CG and partly by SG(s). b. Includes a subsidiary company of a Government company. Note: ✓ Differential Voting Rights: If shares are issued with DVR, then total voting power is considered instead of PUSC.

	✓ Exceptions: Suffix "Pvt Ltd / Ltd" not required for government companies, provided they have not defaulted in filing financial statements or annual returns.

7. Companies based on Liability

	Content
1.	Company Limited by Shares: Liability of members is limited to the unpaid value of shares. Benefit of limited liability applies only to shareholders, not the company.
2.	Company Limited by Guarantee: Liability of members is limited by the MOA to the amount they agree to contribute to the company's assets in the event of winding up.
3.	Unlimited Company: A company where there is no limit on the liability of its members. These are usually private limited companies with unlimited liability.

2. INCORPORATION OF COMPANY AND MATTERS INCIDENTAL THERETO

1. Promoter [Sec 2(69)]

	Definition
1.	A person who: a. Is named as a promoter in the company's prospectus or identified in the annual return. b. Exercises control over the company's affairs, directly or indirectly, as a shareholder, director, or otherwise. c. Provides advice, directions, or instructions that the Board of Directors is accustomed to follow.
2.	Exclusion: A person acting solely in a professional capacity (e.g., solicitor, banker, accountant) is not regarded as a promoter. Note: ✓ A person doesn't have to be involved from the very beginning to be considered a promoter; ✓ A promoter can be an individual, group, partnership, or company responsible for setting up and launching the business while acting in a position of trust.

2. Minimum Number of Members

	Content
1.	Public Company: >= 7 persons can form a public company. Private Company: >=2 persons can form a private company. One Person Company: 1 person can form a OPC.
2.	a. The company can be: ✓ limited by shares, ✓ limited by guarantee, ✓ unlimited company. b. IFSC companies are licensed to operate in International Financial Services Centres (e.g., GIFT City)
3.	Breach of Minimum Number of Members (Sec. 3A) a. If the number of members is reduced below 7 (public company) or below 2 (private company) and the company carries on business operations for more than 6 months, b. Every person who is a member during the time that it so carries on business after 6 months and is cognizant of the fact that business is carried on with reduced members, c. Such Members shall be sued severally for the entire debt incurred during that time.

3. Procedure for Incorporation of A Company

	Content
1.	Filing of Documents and Information with ROC A company registration application shall be filed with the ROC of the jurisdiction where the registered office is proposed to be situated [Form SPICe+ (INC-32)] along with the following documents. a. The MOA and AOA shall be duly signed by all subscribers to the MOA.

b. Declaration by:
   a. A person involved in the formation of the company (e.g., advocate, CA, CMA, or CS in practice) and
   b. A person named in the AOA (e.g., director, manager, or secretary) confirming compliance.
c. Declaration that:
   - ✓ All subscribers have paid the value of shares agreed upon.
   - ✓ Verification of registered office has been filed. This shall be done before the commencement of business.
d. Declaration by each subscriber and first directors stating:
   - ✓ They are not convicted of any offense related to the promotion or management of any company and
   - ✓ They are not found guilty of fraud, misfeasance, or breach of duty in the last 5 years.
   - ✓ All documents filed with the ROC contain correct & complete and true information to the best of his knowledge & belief
e. The address for correspondence till its registered office is established.
f. Details to be provided by each subscriber include:
   - ✓ Name, photograph, parent's name, nationality, date/place of birth, educational qualification, occupation.
   - ✓ Permanent Account Number (PAN), email, phone number.
   - ✓ Proof of identity and residential proof.
   - ✓ If the subscriber is already a director or promoter of a company, they shall provide details such as the company name, CIN, and their role as a director or promoter.
   - ✓ If a body corporate subscribes to the MOA, the following details must be submitted to the ROC:
     - Name and CIN or Registration Number (if any).
     - Global Location Number, if applicable.
     - Registered office address or principal place of business.
     - For companies: A certified board resolution authorizing the subscription.
     - For LLPs or partnerships: A certified resolution agreed upon by all partners authorizing the subscription.
     - For foreign entities: A copy of the certificate of incorporation and registered office address.
g. Details of first directors include:
   - ✓ Name, DIN (Director Identification Number), nationality, residential address.
   - ✓ Proof of identity and their interests in other firms.
   - ✓ Consent to act as director shall be filed in Form DIR-12.
h. Declaration required if:
   - ✓ Objects of the company need approval from regulators like RBI or SEBI.
   - ✓ For Nidhi companies, a declaration u/s 406 shall be submitted.

2. Issue of Certificate of Incorporation

a. The ROC registers all documents and issues a Certificate of Incorporation confirming the company's incorporation under the Act.
b. The certificate may include the PAN of the company if issued by the Income-tax Department.

3.	Allotment of Corporate Identity Number (CIN) From the date of incorporation, the ROC allots a CIN. It acts as a distinct identity for the company and is included in the certificate.
4.	Maintenance of Documents The company shall maintain and preserve copies of all documents and information originally filed at its registered office until its liquidation under the Companies Act.
5.	a. The MCA has introduced various measures for simplifying business setup. b. MCA has implemented the Simplified Proforma for Incorporating Company Electronically (SPICe) to streamline the process of filing forms for company incorporation.

4. Signing Of MOA And AOA

	Content
1.	Subscribers shall add their name, address, description, and occupation in the presence of at least one witness who will attest the signature and add their own name, description, and occupation.
2.	Illiterate Subscriber a. The subscriber shall affix a thumb impression or mark, described by the person writing for them. b. The writer will add the subscriber's name and number of shares taken and authenticate it with their own signature.
3.	Typewritten/Printed details of subscribers and witnesses are acceptable, provided they are accompanied by a signature or thumb impression.
4.	a. Body Corporate as Subscriber: MOA & AOA shall be signed by a director, officer, or employee authorized by a board resolution. b. LLP as Subscriber: MOA and AOA shall be signed by an authorized partner. Note: In cases of body corporate or LLP, the authorized person cannot act as a subscriber to the MOA & AOA simultaneously.
5.	Foreign National as Subscriber a. Non-Resident ✓ If residing outside India, their signature, address, and identity proof must be notarized by a Notary Public with a certificate. ✓ If the country is not part of the Hague Apostille Convention, 1961, the certificate shall be authenticated by a Diplomatic or Consular Officer. b. Resident ✓ If residing in India with the intention to incorporate a company, they shall hold a valid Business Visa ✓ Business Visa not applicable to Persons of Indian Origin or Overseas Citizens of India.

5. Consequences of Furnishing False Information Or Supression Of Material Fact, At The Time Of Incorporation

	Content
1.	False or Incorrect Information at Incorporation If any person provides false or incorrect information or suppresses material facts knowingly during the incorporation process in documents filed with the ROC, they shall be liable for fraud u/s 447.
2.	Post-Incorporation: False Information or Suppression a. If, after incorporation, it is proved that the company was incorporated by: ✓ Furnishing false or incorrect information or representation, or ✓ Suppressing material facts or information. b. Liability: Promoters, first directors, and individuals making declarations shall be liable for fraud u/s 447.
3.	Tribunal Orders (Application Made to Tribunal) a. Grounds for Action: If the company is found to have been incorporated fraudulently, the Tribunal may pass orders such as: ✓ Modify the MOA & AOA in public or company interest. ✓ Declare the liability of members as unlimited. ✓ Remove the company's name from the Register of Companies. ✓ Order for winding up of the company. ✓ Issue any other orders deemed necessary. b. The company shall be given a reasonable opportunity to present its case. c. The Tribunal shall review the company's transactions, including obligations and liabilities, before making an order.

6. Incorporation of One Person Company (OPC)

	Content
1.	Eligibility for OPC Only a natural person who is an Indian citizen, whether resident in India or otherwise, can: ✓ Incorporate an OPC. ✓ Be a nominee for the sole member. ✓ Resident in India means staying for at least 120 days in the preceding FY.
2.	One OPC Rule ✓ A natural person cannot be a member or nominee of more than one OPC at any time. ✓ If a person becomes a member of another OPC, he shall resolve this within 180 days.
3.	Minors cannot become members, nominees, or hold shares with beneficial interest in an OPC.
4.	OPC cannot be incorporated or converted into a Section 8 company but may convert to a private or public company anytime under certain conditions.
5.	OPC cannot engage in Non-Banking Financial Investment activities, including investing in securities of any body corporate.
6.	a. Concept of Nominee ✓ The nominee named in the MOA will replace the member in case of death or incapacity. ✓ Consent shall be obtained in writing and filed with the ROC. b. Withdraw of consent by Nominee

	✓ If a nominee withdraws consent, he shall notify the sole member and OPC in writing. ✓ The sole member shall nominate a new nominee within 15 days and inform the company in writing, along with the new nominee's written consent [Form No. INC-4]. c. Change of Nominee ✓ The member can replace the nominee at any time by giving notice to the company. ✓ A new nominee shall give prior consent and the company shall notify the ROC.
7.	Notice to ROC The company shall file notice of any change in nominee within 30 days of: a. Nominee becoming a member. b. Withdrawal of consent by nominee. c. Replacing nominee. d. Submit Form INC-4 with applicable fee.
8.	Benefits of OPC a. No cash flow statement is required. b. Annual returns can be signed by a Director. c. One Board meeting is required per half year. d. OPCs can file FS within 180 days from the financial year's end. e. Change in Nominee shall not be deemed to be an alteration of MOA

7. Formation of Companies With Charitable Objectives

	Content
1.	Objective of Sec. 8 Company a. Promote charitable objectives like commerce, art, science, sports, education, research, social welfare, religion, charity, and protection of the environment. b. Intends to apply its profits (if any) or other income in promoting its objects. c. Prohibit dividend payment to members.
2.	Registration (Sec. 8) a. Apply in Form SPICe+ (INC-32) with required fees. b. File MOA & AOA, 3-year financial estimates. c. A declaration by a professional (Advocate, CA, CMA, or CS in practice) and a person making application stating that ✓ the MOA & AOA comply with Sec 8 and related rules, and ✓ All legal requirements for company registration u/s 8 have been met.
3.	Privileges: a. Enjoys the same privileges and obligations as a limited company upon registration. b. Call general meetings with 14 days' notice. c. Exempted from minimum number of directors and independent director's requirements. d. No need to constitute Nomination/Remuneration Committees. e. Partnership Firm can become member of Sec 8 Co. f. Member's liability is limited, the words 'Limited' or 'Private Limited' shall not be added to its name
4.	Alteration of MOA/AOA: Requires prior permission from the CG(RD) for alteration of MOA and CG(ROC) for alteration of AOA.

8. Conversion of Sec 8 Co. into other kind

	Content
1.	Conversion to Other Company Types a. Pass SR in a general meeting for approving such conversion. b. Explanatory Statement to notice of such GM shall set-out the details of such conversion c. Apply in Form INC-18 to the RD with fees & required documents (SR, Notice).
2.	Notification Requirements a. Serve notice by registered post/ hand delivery to the ✓ Income Tax Officer, ✓ Charity Commissioner, ✓ Any department of CG or SG having company's jurisdiction, and ✓ Chief Secretary of the state in which the registered office is situated. b. If any authority wants to make a representation to the RD, it shall do so within 60 days of receiving the notice, after giving the company an opportunity to respond. c. Publish a notice ✓ At least once in a vernacular newspaper & an English newspaper, and ✓ on the company's website (if any) and CG notified website within 1 week of filing an application.
3.	Compliance a. File all FS and returns up to the preceding FY. b. If application is made 3 months after the preceding FY, attach a financial position statement (not older than 30 days of filing such application) certified by a CA.
4.	Regional Director's Role a. If RD is satisfied, approve conversion subject to terms and conditions. b. Before imposing conditions or rejecting the application, RD gives reasonable opportunity of being heard to the company.
5.	Post-Approval Actions a. Convene a general meeting to pass a SR for MOA/AOA amendment. b. File updated documents with the ROC for fresh Certificate of Incorporation.

9. Revocation of License to Sec.8 Company

	Content
1.	Revocation of License a. CG or its delegate (RD) can revoke the license if: ✓ Company violates conditions of the license. ✓ Affairs are conducted fraudulently. ✓ Objects are violated or are prejudicial to public interest. b. Upon revocation, the ROC shall add 'Limited' or 'Private Limited' to the company's name in the register.
2.	Opportunity of Being Heard Before revocation, the company shall be given written notice and an opportunity to be heard.
3.	Windup or Amalgamation a. After revocation, if it serves the public interest, the CG may direct the company to: ✓ Be wound up under the Companies Act, or ✓ Amalgamate with another Sec 8 company with similar objectives.

	b. CG provides Guidelines for windup or amalgamation. ✓ CG has the authority to approve and structure the amalgamation, determining the new entity's constitution, assets, powers, rights, and obligations. ✓ Post-windup, any leftover assets after clearing debts shall be transferred to ▪ the Insolvency and Bankruptcy Fund (Sec. 224 of IBC, 2016). ▪ Similar Sec 8 Company
4.	Penalty/Punishment a. Default in complying with Sec. 8 requirements: ✓ Company: Fine between ₹ 10 lakhs and ₹ 1 crore. ✓ Directors/Officers in default: Fine between ₹ 25,000 and ₹ 25 lakhs. b. Fraudulent conduct of affairs: Every officer in default is liable for action u/s 447.

10. Effect of Registration

From the date of incorporation (as mentioned in the Certificate of Incorporation):	
1.	Body Corporate The subscribers to the MOA and all persons who later become members form a body corporate under the name specified in the MOA.
2.	Exercise Functions The company can perform all functions of an incorporated company with perpetual succession, including: a. Acquire, hold, and dispose of property (movable, immovable, tangible, intangible). b. Enter into contracts, and sue or be sued in its incorporated name.

11. MOA AND Its Significance

	Content
1.	Definition a. Memorandum refers to the Memorandum of Association as originally framed or as altered under previous company law or this Act. b. It is the base document for forming a company and, along with the AOA, constitutes the Constitution of the Company. c. The MOA and AOA shall comply with the Companies Act, 2013 and other applicable laws.
2.	Purpose of MOA a. Specifies the objects for which the company is formed, defining the scope of operations. b. Informs shareholders, creditors, and others about the company's powers and activities. c. MOA is a public document u/s 399, and anyone entering into a contract with the company is presumed to have knowledge of its contents (Doctrine of Constructive Notice). d. Helps shareholders understand how their money will be used and the risks involved. e. A company cannot act beyond the powers stated in the MOA; such actions are void and considered ultra vires the company.
3.	Clauses of MOA a. Name Clause. b. Situation Clause c. Objects Clause

	d. Liability Clause e. Capital Clause (Applicable to companies with share capital). f. Association Clause (in OPC, specifically drafted). g. Nomination Clause (Applicable in OPC, detailing nominee information).

12. Name Clause In MOA

	Content
1.	Name Clause a. The company's name shall end with "Limited" for public companies or "Private Limited" for private companies (N.A to Sec 8 Co.). b. IFSC companies use "International Financial Service Company" or "IFSC" as a suffix.
2.	Restrictions on Names a. The name shall not be ✓ identical or similar to an existing company and ✓ undesirable in the opinion of the CG. b. Undesirable Names: Names that suggest association with the CG/SG or local authorities require prior CG approval. c. Prohibited Words: Words like "Board", "Authority", "National", "President", "SSI", etc., require prior CG approval. d. Special Entity Names Names with terms like "Insurance", "Bank", "Stock Exchange", etc., require declarations of compliance with regulators such as IRDA, RBI, SEBI, MCA, etc. e. Resemble Rules ▪ Plural or singular form of words ▪ Type and case of letters, spacing between letters, and punctuation marks ▪ Use of different tenses ▪ Slight variation in the spelling ▪ Use of different phonetic spellings ▪ Complete translation or transliteration ▪ Use of host name ▪ Order of words ▪ Use of definite or indefinite article ▪ Addition of the name of a place to an existing name ▪ Addition, deletion, or modification of numerals (unless numeral represent brand)
3.	Reservation of Name a. Application: File for reservation in the RUN (Reserve Unique Name) system as: ✓ Name of the proposed company. ✓ Name for changing an existing company's name. b. Reserve Period: ✓ 20 days for new companies. ✓ 60 days for existing companies. c. Extension of Reservation Apply under Rule 9A before expiry for: ✓ Additional 20 days with a ₹ 1,000 fee. ✓ Additional 40 days with a ₹ 3,000 fee.

	d. Cancellation of Name: If a reserved company name was obtained using false information ✓ Not Incorporated: Name is cancelled, and the applicant is fined up to ₹ 1 lakh. ✓ Incorporated: ROC after giving opportunity of being heard, may direct: ▪ Change of name within 3 months. ▪ Striking off. ▪ Petition for winding up.
4.	Emblems and Names Act Names shall comply with the Emblems and Names (Prevention of Improper Use) Act, 1950. Example: If a name is applied for with false trademark claims (e.g., "Sanwariya"), the ROC may act after hearing the applicant.

13. Situation Clause in MOA

	Situation Clause
1.	As per Sec 4(1)(b), the MOA shall specify the state where the company's registered office will be located.
2.	Importance of Registered Office a. Determines Jurisdiction: Used to establish the domicile of the company for compliance (e.g., ROC, RD), judicial matters (NCLT, High Court), taxation, and other purposes. b. The registered office is where statutory books are kept. For public companies, general meetings shall be held at the R.O. or within the same city. c. R.O. serves as the address for receiving notices and communications.
3.	Compliance Requirements A company shall: ✓ Establish a registered office within 30 days of incorporation. ✓ Maintain it at all times to receive and acknowledge communications and notices.

14. Object Clause in MOA

	Object Clause
1.	Object Clause a. The MOA shall state the objects for which the company is proposed to be incorporated and any matter necessary in furtherance thereof. b. IFSC Companies: shall state objects for financial services activities under the SEZ, 2005 and SEZ Rules, 2006, aligned with licenses granted by RBI, SEBI, IRDA, etc.
2.	Doctrine of Ultra Vires a. Any act not stated in the memorandum is considered ultra vires (beyond the powers) and is void. b. No party, including an outsider, can sue for enforcement or specific performance of such an act or agreement.
3.	Principle of Ratification a. Cannot Ratify: Ultra vires acts are generally incapable of ratification. b. Can Ratify: ✓ If the act is intra vires the company but beyond the authority of the directors, the company may ratify it in proper form. ✓ If the act is ultra vires the directors' powers, shareholders may ratify it.

	✓ If the act is ultra vires the AOA, the company can alter the AOA.
4.	Protection to Stakeholders The doctrine protects shareholders and creditors by ensuring that the company acts only within its defined objects.
5.	Key Case: Ashbury Railway Co. v. Riche a. The company's memorandum permitted it to engage in "making and selling or lending/hiring railway plants" and acting as general contractors for related businesses. b. The company entered into a contract with M/s Riche to finance railway construction in Belgium, claiming it fell under general contractors. c. The House of Lords held the contract was ultra vires, null, and void as it went beyond the objects defined in the memorandum. d. Even if all shareholders consented, the contract could not be ratified because it violated the object clause.
6.	Modern Context The purpose of the doctrine has been weakened, as the object clause can now be easily altered by passing a special resolution by shareholders.

15. Liability, Capital, Subscription Clauses in MOA

	Content
1.	Liability Clause Specifies the liability of members (limited or unlimited). a. Company Limited by Shares: Liability is limited to the unpaid amount on shares held by members. b. Company Limited by Guarantee: Liability extends to: ✓ Deficit: Amount needed to settle debts and liabilities at winding-up (contracted before the member ceases membership). ✓ Winding-up Costs. ✓ Adjustment of Rights among contributories.
	Note a. List 'A': Members at the time of winding-up are primarily liable. b. List 'B': Persons who were members within 12 months before winding-up are liable if List 'A' does not cover the company's liabilities.
2.	Share Capital Clause a. Discloses share capital (authorized) and its division into shares of fixed amounts. b. Specifies the number of shares each subscriber agrees to take, indicated opposite their name.
3.	Subscription Clause a. MOA and AOA must be signed by all subscribers. Specifies the number of shares each subscriber agrees to take. b. For OPC, includes nominee details in the MOA along with the member's name.
4.	Forms & Schedule MOA shall follow the respective forms specified in Tables A, B, C, D, and E of Schedule I, as applicable to the company.

The MOA and AOA shall be in respective forms as provided in Schedule I to the Companies Act, 2013:

TABLE	CONTAINS
A	MOA of a company limited by shares
B	MOA of a company limited by guarantee and not having a share capital
C	MOA of a company limited by guarantee and having a share capital
D	MOA of an unlimited company and not having share capital
E	MOA of an unlimited company and having share capital

NOTE: Any provision in the MOA or AOA, in the case of a company limited by guarantee and not having a share capital, giving any person a right to participate in the divisible profits of the company otherwise than as a member shall be void.

16. Articles of Association

	Content
1.	a. AOA refers to the AOA as originally framed or as altered under previous company law or this Act. b. The articles shall contain regulations for the management of the company. The company can also include additional matters, e.g., Entrenchment Provisions.
2.	Entrenchment of AOA Entrenchment makes altering AOA more difficult by imposing stringent conditions than a SR to alter. It protects certain provisions from easy amendments. a. Manner of Inclusion Entrenchment provisions may be included: ✓ On formation of the company. ✓ By amendment agreed to by: ▪ All members in the case of a private company. ▪ A SR in the case of a public company. b. Notice to ROC The company shall notify the ROC about entrenchment provisions: ✓ In SPICe+ (INC-32) during company formation. ✓ In Form MGT-14 within 30 days after entrenchment for existing companies.
3.	Forms of Articles The AOA shall follow the respective forms as specified in Tables F, G, H, I, and J in Schedule I, depending on the type of company.
4.	Model Articles A company may adopt all or any of the regulations contained in the model articles that apply to it.
	AOA and Corresponding Tables The tables provide model articles for different types of companies: F - Articles of a company limited by shares. G - Articles of a company limited by guarantee and having a share capital. H - Articles of a company limited by guarantee and not having share capital. I - Articles of an unlimited company and having a share capital. J - Articles of an unlimited company and not having share capital.

17. MOA V/s AOA

Difference	MOA	AOA
Content	MOA defines the fundamental conditions for the company's incorporation and regulates the relationship with outsiders.	AOA contains the internal regulations of the company, governing the relationship between the company and its members.
Supremacy	MOA cannot include anything that contradicts the law. It has supremacy over the AOA.	AOA is subordinate to both the law and the MOA. If there is a conflict, the MOA will prevail.
Scope	MOA defines the scope of the company's activities. Any act beyond this scope is ultra vires (void) and cannot be ratified.	AOA regulates activities within the scope set by the MOA. Actions beyond the articles can be ratified by shareholders if not violating the MOA.

18. Doctrine of Constructive Notice

	Content
1.	a. The Doctrine of Constructive Notice, established in Ernest v. Nicholls (1857), states that anyone dealing with a company is presumed to know its public documents, such as the MOA and AOA, which are registered with the ROC. b. Whether a person actually reads them or not, they are considered aware of their contents.

19. Doctrine of Indoor Management And Exceptions

	Content
1.	Turquand case study a. Directors were authorized by the AOA to borrow money by resolution at a general meeting. They gave a bond to Turquand without such a resolution. b. The company was held liable on the bond as Turquand was entitled to assume that the required resolution had been passed.
2.	Doctrine of Indoor Management a. Outsiders dealing with the company can assume that internal procedures were properly followed. They need not know about internal issues. b. Stakeholders don't need to verify if meetings were held or resolutions were passed correctly. They can assume everything was done properly. c. The doctrine protects outsiders by assuming internal proceedings align with documents filed with the ROC. d. The doctrine developed around 150 years ago in response to the doctrine of constructive notice. e. It acts as a safeguard against abusing constructive notice.
3.	Basis for Doctrine of Indoor Management a. Internal company affairs are not public knowledge. Outsiders can only assume the company's intentions, not know unshared information. b. Without this doctrine, a company could evade creditors by denying its officials' authority to act.
4.	Exceptions to Doctrine of Indoor Management a. If an outsider knows of an irregularity, the indoor management rule does not apply. The outsider may be considered part of the problem.

	b. If an outsider could easily discover irregularities, they lose the benefit of the rule. c. The rule doesn't apply to forged documents, as forgery cannot be validated. The company isn't bound by forgeries. d. When there's doubt about the existence of an agency. e. When a pre-condition must be met before the company can exercise certain powers. In this case, the act is not just ultra vires the directors/officers but ultra vires the company itself.
5.	Note: Doctrine of Constructive Notice The doctrine of indoor management contrasts with the doctrine of constructive notice. The former protects outsiders against company actions, while the latter protects the company from outsiders.

20. MOA & AOA Cannot Override the Act

Overriding Effect of the Act (Sec. 6)	
1.	Provisions of this Act have an overriding effect on: a. MOA of the company b. AOA of the company c. Any agreement made by the company d. Any resolution passed by the company (whether before or after the commencement of the Act).
2.	Conflict with the Act a. If any provision in the MOA, AOA, agreement, or resolution conflicts with the provisions of this Act, the conflicting part shall be void. b. The Act overrides unless another section of the Act expressly states otherwise. Ex: if a section of the Act declares something superior, we follow that.
3.	Example: a. Sec 123 states that no dividend can be paid unless it comes from profits. This rule cannot be changed by provisions in the articles of association. If the articles attempt to do so, it will be void. b. Sec 47 of the Act governs the voting power of members but applies to private companies only if their AOA allow it. If a private company's AOA states that Sec 47 does not apply, the AOA takes precedence, and Sec 47 will not be applicable.

21. Effect of MOA & AOA

Content	
1.	Effect of MOA and AOA MOA and AOA, once registered, bind: a. The company is liable to the members. b. Members are liable to the company. c. But members are not liable to each other.
2.	a. Any money payable by a member to the company under the MOA or AOA is a debt owed by the member to the company. Example: A company can recover arrears from a member like recovering a loan. b. In Steel Bros & Co Ltd, the AOA stated that if a member went bankrupt, their shares would be sold at a price set by the directors. When Borland, a member, went bankrupt, it was held that he must sell the shares per the terms in the AOA. The trustee could not sell them at a higher price. (Member to Company)

	c. In Odessa Waterworks Co, the AOA allowed directors to declare a dividend to members with approval from the general meeting. When the directors proposed issuing debenture bonds instead of cash, it was ruled that the dividend must be paid in cash as per the AOA. (Company to Member) d. Mr. Rayfield, a shareholder, informed the directors of his intent to transfer shares. The AOA required the directors to buy the shares at fair value. The directors, despite being members, were compelled to purchase the shares as the AOA imposed that obligation. (Member to Member)

22. Alteration Of Name Clause In MOA

	Content
1.	Alter (Sec 2(3)): Alteration includes making additions, omissions, and substitutions.
2.	Procedure for Alteration of Memorandum (Sec 13) a. SR: A company may alter the MOA with the approval of members via a SR. b. Name Change of the Company ✓ A name change requires approval from the CG (delegated to ROC). ✓ change of Constitution (not a name change) does not need CG approval. c. Prohibition of Name Change ✓ Defaulters (i.e., companies not filing annual returns/FS / not repaying/paying matured deposits/ debentures/ interest thereon) cannot change their name. ✓ Name change allowed after filing necessary documents or paying debts. d. Entry in ROC When a company changes its name, the ROC updates the register with the new name and issues a fresh certificate of incorporation. The name change is complete only after receiving the certificate. Ex: Tata Sky Limited changed its name to Tata Play Limited.
3.	a. Rectification of Name by CG (Sec 16) CG (now RD) can direct a company to change its name if: ✓ The name is identical or too similar to an existing company name. ✓ Application by registered trademark owner that company's name resembles to registered trademark. Note: A registered trademark owner shall file application within 3 years of a company's incorporation, registration, or name change. b. The company shall change its name within 3 months by passing an ordinary resolution. c. Notice to ROC ✓ After a name change, the company shall notify the ROC within 15 days and submit the order from the CG. ✓ The ROC updates the certificate of incorporation and MOA. d. Failure to Comply ✓ If a company fails to comply with the direction, the CG may allot a new name. ✓ The ROC will update the register and issue a new certificate with the new name. Note Companies can still change their name in accordance with Sec 13 even after rectification u/s 16.

23. Registered Office of The Company (Sec 12)

	Content
1.	A company shall maintain a R.O. after incorporation. This is a physical location where legal documents, notices, and communications from the ROC or in case of a lawsuit can be served. It cannot be a P.O. Box.
2.	Time Limit a. The company shall have a R.O. within 30 days of incorporation to receive and acknowledge legal communications. b. For IFSC Companies, the R.O. shall be in the IFSC and the time limit is 60 days.
3.	The company shall verify its R.O. within 30 days of incorporation.
4.	a. Name Board: The company shall affix its name and address on the outside of its office in legible letters and in both English and the local language. b. Common Seal: The company shall have its name engraved on its seal (if any). c. Official Documents: The company's name, R.O. address, CIN, and contact details (telephone, fax, email, website) shall be printed on all business letters, billheads, letter papers, notices, and official publications. d. Instruments: The company's name shall be printed on hundi, promissory notes, bills of exchange, etc. e. Name Change: If the company changed its name in the last 2 years, it shall display its former name(s) along with the current name. f. OPC: The words "One Person Company" should be mentioned in brackets under the name of the company wherever it appears.
5.	Notice of Change to ROC Notice of any change in the R.O. shall be given to the ROC within 30 days of the change after the incorporation of the company.
6.	Change by Passing SR a. The registered office can be changed outside the local limits of any city, town, or village only by passing a SR. b. For changes within the city, a Board Resolution is sufficient. c. IFSC Companies: Changes within said IFSC centre, a Board Resolution is sufficient.
7.	Change of Registered Office Outside Jurisdiction When changing the R.O. to a new ROC's jurisdiction within the same state: a. The company shall apply to the RD [Form INC-23 along with fee]. b. The RD confirms within 30 days from date of receipt of application. c. The company shall file the confirmation with the ROC within 60 days of confirmation. d. ROC shall register and issue the Certificate within 30 days after filing. e. Certificate of Registration The Certificate issued by the ROC is conclusive evidence that all requirements under the Act have been met. The change takes effect from the date of the certificate. f. Penalty for Default If the company or its officers fail to comply, a penalty of Rs. 1,000/day will apply for each day of default, up to a maximum of Rs. 1 Lakh.
8.	Not Carrying Business in Registered Office If the ROC suspects that the company is not carrying on business or operations, he may physically verify the R.O. If default is found, action will be taken for the removal of the company's name from the register of companies.

24. Alteration of MOA Regarding Shifting of Registered Office from One State to Another State

	Content
1.	Approval of CG To change the R.O. from one State to another, approval from the CG (delegated to RD) is required. The application in Form INC-23 shall include: a. Copy of MOA with alterations. b. Minutes of the general meeting and vote details. c. Board Resolution or Power of Attorney. d. List of creditors and debenture holders. e. Acknowledgment of service to the ROC and Chief Secretary of the state.
2.	Advertisement in Newspapers The company shall advertise the change in Form INC-26: a. In the vernacular newspaper (principal language) in the district. b. In an English newspaper with wide circulation in the state. The advertisement should be within 30 days before filing the application.
3.	The RD shall dispose of the application within 60 days of receipt of application.
4.	Conditions Before Approval The RD may check if: a. The consent of creditors and debenture-holders is obtained. b. Sufficient provision has been made to discharge all debts or security has been provided for debt discharge.
5.	Filing with ROC Within 30 days of receiving the certified order, the company shall file with the ROC: a. The SR passed by the company. b. The CG's approval if there's a name change or R.O change from one state to another.
6.	Issue of Fresh Certificate of Incorporation The ROC of the new state must issue a fresh certificate of incorporation reflecting the change in the R.O.

25. Alteration of Object Clasue

	Content
1.	Prohibition on Company that Raised Funds A company that raised money from the public through a prospectus and still has unutilized funds can change its objects only after passing a SR passed via postal ballot.
2.	The notice for altering a company's objects shall include: a. Financial Details: Total funds received, utilized, and unutilized from the prospectus. b. Change Details: Proposed alteration, justification, and amount allocated for new objectives. c. Impact Assessment: Estimated financial effects on earnings and cash flow. d. Additional Information: Any other relevant details for informed decision-making and location for obtaining the resolution notice.
3.	Publish in Newspapers The details of the resolution shall be published in 2 newspapers: a. One in English and one in the vernacular language where the company's R.O. is located.

	b. It shall also be placed on the company's website (if any), explaining the justification for the change.
4.	Dissenting shareholders shall be given an opportunity to exit, as per regulations set by the SEBI.
5.	ROC to Certify Alteration a. The ROC shall register any alteration of the company's objects and certify it within 30 days from the date of filing the SR. b. The alteration will not be effective until it is registered with the ROC
6.	Alteration Noted in Every Copy a. Every copy of the MOA or AOA shall reflect any alterations made. b. If any copy is issued without noting the alteration, the company and its officers will be liable for a penalty of ₹1,000 per copy issued.

26. Alteration of AOA (Sec 14)

	Content
1.	Case Reference: Andrews vs. Gas Meter Co. A company cannot divest itself of the powers to alter its articles. [Andrews vs. Gas Meter Co. [1897] 1 CH. 161]
2.	Matters not Covered in MOA If the MOA is silent on any matter, it can be dealt with by altering the AOA.
3.	Procedure for Alteration of Articles a. A company can alter its AOA by passing a SR, subject to the provisions of the Companies Act and its MOA. b. Alteration for Conversion of Company Type Alteration of AOA includes conversion of: a. Private company to public company, or b. Public company to private company. c. CG Approval for Conversion ✓ Alteration converting a public company to a private company requires CG approval within 60 days from passing the SR. ✓ Approval is filed using e-Form No. RD-1 with the RD along with fee and shall be accompanied by the following documents. ▪ Draft MOA & AOA with proposed changes. ▪ Copy of GM Minutes, SR details, votes, and dissenters' names. ▪ Copy of BR/POA authorizing the application, dated within 30 days. ▪ Declaration by KMP, Confirming compliance with relevant laws and rules.
4.	ROC Filing a. The alteration and a copy of the CG's approval shall be filed with the ROC along with a printed copy of the altered AOA within 15 days. b. Any alteration of the articles, once registered, is valid as if it was originally included in the articles.
5.	Noting Alteration in Every Copy Every copy of the articles shall reflect any alterations made. If not, the company and its officers are liable for a penalty of ₹1,000 for every copy issued without noting the alteration. [Sec 15]

27. Distribution of MOA AND AOA to Members

	Content
1.	Request for Documents Upon request by a member, the company must send copies of the following documents within 7 days of the request, on payment of fees: a. MOA b. AOA c. Any agreement or resolution referred to in Sec 117 (Resolutions and agreements to be filed), if not already included in the MOA and AOA.
2.	Default in Compliance If the company fails to comply, both the company and any officer in default shall be liable for a penalty of: a. ₹1,000 for each day the default continues, or b. ₹1,00,000, whichever is lesser.

28. Commencement of Business

	Content
1.	Declaration of Paid-Up Value A director shall file a declaration within 180 days of incorporation, stating that all subscribers to the MOA have paid the agreed value of the shares they subscribed to.
2.	Registered Office The company shall also file a verification of its registered office with the Registrar, as required u/s 12.
3.	Penalty for Default ✓ Company: ₹50,000 penalty for non-compliance. ✓ Officers: ₹1,000 per day of default, up to a maximum of ₹1,00,000.
4.	Failure to Submit Declaration If no declaration is filed within 180 days, and the ROC believes the company is not operating, they may initiate action to remove the company from the register under Chapter XVIII.
5.	Verification by Professionals The declaration shall be verified by a CS/CA/CMA in practice.
6.	Special Entities For companies requiring approval from sectoral regulators (e.g., RBI, SEBI), the relevant approval or registration shall also be attached with the declaration.

29. Conversion of Companies Already Registered

	Content
1.	Alteration of MOA and AOA A company can convert into another class of company by altering its memorandum and articles of association as per the provisions of the law.
2.	File an Application to the ROC The company shall file an application with the ROC for conversion. The ROC will verify compliance with the registration requirements and close the former registration of the company.
3.	Issue of Certificate of Incorporation

	After registering the necessary documents, the ROC will issue a certificate of incorporation for the newly converted company, similar to the original registration process.
4.	No Effect on Debts, Liabilities, etc. The conversion does not affect any debts, liabilities, obligations, or contracts entered into before the conversion. These can be enforced as if the conversion never happened.

30. SC is prohibited to hold shares in its HC.

	Content
1.	No Company to Hold Shares in Its Holding Company (Sec 19) A company cannot hold shares in its holding company either directly or through nominees. A holding company cannot allot or transfer shares to its subsidiary. Any such transfer or allotment is void.
2.	Exceptions The following exceptions apply: a. A subsidiary company can hold shares in the holding company if it is the legal representative of a deceased member. It can also participate in voting. b. A subsidiary can hold shares as a trustee for others and still participate in voting. c. If a company holds shares in the holding company before becoming a subsidiary, it can retain those shares but has no voting rights after becoming a subsidiary.

31. Serving of Documents

	Content
1.	Serving Document to Company a. A document can be served on a company or its officer at the registered office by: ✓ Registered post, Speed post, Courier service ✓ Leaving at registered office ✓ Electronic mode (if prescribed) b. De-mat Securities For de-mat securities, records of beneficial ownership can be served electronically by the depository to the company.
2.	Serving Document to Registrar or Member Documents can be served on the ROC or any member by: a. Post, Registered post, Speed post, Courier b. Delivery at office/address c. Electronic mode (if prescribed)
3.	Specific Request by Member A member can request documents through a specific mode and pay the determined fees as decided in the AGM.
4.	Nidhi Company a. Serving Documents to Members holding more than Rs. 1,000/- or 1% of the PUSC. b. Serve by public notice to Other Shareholders in local newspapers and notice board of the company.
5.	Electronic transmission refers to any communication that: a. Is retained, retrieved, and reviewed b. Can be converted into a tangible form

	c. Includes Fax or email, electronic message boards, Other verified electronic communication
6.	Effect of Service of Documents a. Notice of meeting by post: Service is effective 48 hours after posting. b. Other documents: Service is effective at the time of delivery in ordinary course of post.

32. Authentication of Documents, Proceedings & Contracts

	Content
1.	Authentication of Documents (Sec. 21) a. A document or proceeding requiring authentication by a company or contracts made by or on behalf of a company may be signed by: ✓ KMP ✓ Officer or employee authorized by the Board. b. For IFSC public/private companies, the term "officer" includes "officer or any other person."
2.	Definition of KMP [Sec. 2(51)] KMP includes: a. CEO, MD, or Manager b. Company Secretary c. Whole-time Director (WTD) d. CFO e. Officers one level below directors in whole-time employment and designated by the Board. f. Any other officer prescribed.
3.	Notes on KMP Roles a. CEO: Officer designated by the company as Chief Executive Officer. b. CFO: Officer appointed as Chief Financial Officer u/s 2(51) and Section 203. c. Manager: Individual managing substantially all affairs under Board supervision.
4.	Definition of Managing Director A MD is a director entrusted with substantial management powers by the AOA, agreement, or Board resolution. Routine administrative powers (e.g., affixing seal, endorsing cheques) are excluded. Only a director can become an MD.
5.	Definition of Officer Officer includes: a. Director, Manager, KMP b. Any person influencing the Board or directors' actions (except in a professional capacity).
6.	Officer in Default An officer in default is liable for penalties, imprisonment, or fines under the Act. It includes: a. WTD, KMP, Director(s) specified by the Board. b. Persons responsible for accounts or records. c. Persons advising the Board (non-professional). d. Directors aware of or consenting to contraventions.

	e. Share transfer agents, registrars, and merchant bankers for share issues / transfers.

33. Authorisation of a person to act as attorney of the company to execute hundi, bills, promissory notes and other documents. [sec. 22]

	Content
1.	Bill of Exchange, Hundi, or Promissory Note A bill of exchange, hundi, or promissory note is deemed to be made, accepted, drawn, or endorsed on behalf of a company if done: a. In the name of the company. b. On behalf or on account of the company by a person with express or implied authority.
2.	Common Seal A company can authorize any person to execute deeds on its behalf by writing under its common seal (if it has one). This authorization can apply generally or to specific matters and is valid in India or outside India.
3.	No Common Seal If a company does not have a common seal, authorization shall be made by: a. 2 directors, or b. 1 director and the Company Secretary (if appointed).
4.	Binding Effect on the Company A deed signed by an authorized attorney under his seal, on behalf of the company, will bind the company.

3. PROSPECTUS AND ALLOTMENT OF SECURITIES

1. Issue of Securities by Public and Private Companies

	Content
1.	Issue of Securities by Public Company [Sec. 23(1)] A public company may issue securities through: a. Prospectus (Public offer). b. Private placement c. Rights issue or bonus issue as per this Act and SEBI Regulations (for listed companies).
2.	Issue of Securities by Private Company [Sec. 23(2)] A private company may issue securities through: a. Rights issue or bonus issue under this Act. b. Private placement by following relevant provisions.
3.	Prescribed Companies [Sec. 23(3)] Certain public companies may issue securities for listing on permitted foreign stock exchanges or other prescribed jurisdictions.
4.	Powers of Central Government [Sec. 23(4)] The CG may exempt public companies from complying with: a. Chapter III (Prospectus and Allotment of Securities). b. Chapter IV (Share Capital and Debentures). c. Sections 89, 90, or 127 (relating to beneficial interests, registers, and dividend distribution).
5.	Regulation of Issue & Transfer of Securities [Sec. 24] SEBI regulates: a. Issue and transfer of securities and b. Non-payment of dividend for listed companies or those intending to list on recognized stock exchanges in India. Other matters like prospectus, allotment, and redemption are managed by the CG, Tribunal, or ROC.
6.	Definition of Public Offer A public offer includes: a. Initial Public Offer (IPO) b. Further Public Offer (FPO) c. Offer for Sale (OFS) to the public by an existing shareholder through a prospectus.
7.	Definition of Securities [Sec. 2(81)] Securities as per the Securities Contracts (Regulation) Act, 1956 include: a. Shares, stocks, bonds, debentures, other marketable securities. b. Derivatives. c. Units from collective investment schemes. d. Security receipts under the SARFAESI Act, 2002. e. Mutual fund units. f. Certificates or instruments issued by special purpose entities serve as beneficial interests. g. Government securities. h. Other instruments declared as securities by the CG. i. Rights or interests in securities (e.g., renouncement's).

	Note: Securities do not include instruments providing combined insurance and investment benefits, such as unit-linked insurance policies.
8.	Definition of Listed Company A listed company is one that has its securities listed on a recognized stock exchange. Exceptions Certain companies are not considered as listed companies: a. Public Companies Public companies that have not listed their equity shares but have listed: ✓ Non-convertible debt securities issued on private placement basis under SEBI regulations. ✓ Non-convertible redeemable preference shares issued on private placement basis. ✓ Both categories above. b. Private Companies Private companies that have listed their non-convertible debt securities on private placement basis on a recognized stock exchange under SEBI regulations. c. Foreign Listings Public companies that have not listed equity shares on Indian stock exchanges but whose equity shares are listed in foreign jurisdictions as specified u/s 23(3).

2. Regulation Of Issue And Transfer Of Securities (Sec 24)

	Content
1.	SEBI is empowered to administer those provisions under chapter III and IV of the Act, which pertains to a. Issue & transfer of securities and b. Non-payment of dividend; by listed companies or those companies which intend to get their securities listed on any recognised stock exchange in India.

3. Prospectus

	Prospectus
1.	Definition [Sec. 2(70)] A prospectus is any document described or issued as a prospectus and includes: a. Red Herring Prospectus b. Shelf Prospectus c. Any notice, circular, advertisement, or any other document that invites offers from the public to subscribe or purchase securities of a body corporate. (Deemed Prospectus)

4. Matters to be Stated in Prospectus

	Content
1.	Matters to be Stated in Prospectus [Sec 26] a. Prospectus shall be dated and signed. b. Prospectus shall state information and reports on financial information as specified by SEBI in consultation with the CG. c. Prospectus shall include declaration about compliance with the provisions of: ✓ Companies Act, 2013

	✓ Securities Contracts (Regulation) Act, 1956 ✓ SEBI Act, 1992 ✓ Rules and regulations under these statutes.
2.	Prospectus Need Not Be Issued [Sec. 26(2)] If the offer/invitation is: a. Made to existing members or debenture holders. b. For shares/debentures uniform with previously issued and quoted on a recognized stock exchange.
3.	Date of Publication [Sec. 26(3)] The date indicated in the prospectus is considered as its publication date.
4.	Filing with ROC Before Publication a. Signed copy of prospectus shall be filed with the ROC before issuance. b. It shall be signed by all directors or proposed directors or their authorized representatives.
5.	Expert's Statement [Sec. 26(5)] An expert's statement is valid only if: a. The expert is independent (not connected to the company's promotion/management). b. The expert provides written consent. c. Consent is not withdrawn before filing with ROC. d. A declaration by the expert is included. Expert [Sec. 2(38)]: includes engineer, valuer, CA, CS, CMA, etc., authorized to issue certifications under the law.
6.	Validity [Sec. 26(8)] A prospectus is valid for 90 days from the date of filing with the ROC.
7.	Disclosures Prospectus shall state: a. A copy has been filed with the ROC as per sub-section (4). b. Mention documents attached or referenced in the prospectus.
8.	Punishment for Contravention [Sec. 26(9)] a. Company fine: ₹50,000 to ₹3,00,000. b. Individual fine (knowingly issuing contravention): ₹50,000 to ₹3,00,000.

5. Issue of Securities in Dematerialised Format

Sec 29: Public Offer of Securities to be in Dematerialised Form	
1.	Sec 29(1) - Overriding Effect a. Every company making a public offer and any other prescribed class of companies shall issue their securities only in dematerialised form. b. The company shall comply with the Depositories Act, 1996 and its regulations.
2.	Sub-section 1A (2019 Amendment) a. For prescribed unlisted companies, securities shall be held or transferred only in dematerialised form. b. Compliance with the Depositories Act, 1996 and its regulations is required.
3.	Sub-section 2 - Other Companies Any Other companies may: a. Convert securities into dematerialised form. b. Issue securities in physical form according to the provisions of this Act.

	c. Issue securities in dematerialised form in line with the Depositories Act, 1996 and its regulations.

6. Advertisement of Prospectus

Requirement for Advertisement of Prospectus	
1.	Where an advertisement of any prospectus of a company is published in any manner, it shall be necessary to specify therein the contents of its memorandum as regards the following: a. Objects, b. Liability of members and the amount of share capital of the company, c. Names of the signatories to the memorandum, d. Number of shares subscribed for by the signatories, and e. Capital structure of the company.

7. Shelf Prospectus

Content	
1.	Need for Shelf Prospectus a. A company must issue a prospectus each time it accesses the capital market. b. For companies making multiple offers in a year, the process can be repetitive. c. A shelf prospectus remains valid for a specified time period, eliminating the need for fresh prospectus every time.
2.	Shelf Prospectus A shelf prospectus allows a company to issue securities for subscription over a certain period without issuing a new prospectus each time.
3.	Filing with ROC a. Shelf prospectus shall be filed with the ROC at the time of the first offer of securities. b. The validity period cannot exceed one year from the date of the first offer. c. For subsequent offers during the validity period, no new prospectus is required.
4.	Filing of Information Memorandum a. A company filing a shelf prospectus shall file an information memorandum (Form PAS-2) with the ROC before subsequent offers. b. Information memorandum includes: c. Material facts about new charges. d. Changes in financial position of the company. c. If any applicant wishes to withdraw after the changes are made known, the company shall refund all subscription amounts within 15 days.
5.	Information Memorandum + Shelf Prospectus When an information memorandum is filed, it, along with the shelf prospectus, will be considered a prospectus for each new offer of securities.
6.	Note: Information Memorandum shall be filed with the ROC along with fee before any subsequent offer of securities under the shelf prospectus within 1 month prior to issue of a second or subsequent offer.

8. Red Herring Prospectus

	Content
1.	Need for Red Herring Prospectus a. Red herring prospectus helps companies raise funds by timing the issue and book building based on favourable market conditions. b. It leaves the price and quantity of securities open for decision after the issue closes.
2.	a. A red herring prospectus is a prospectus that does not include full details about the price or quantity of the securities to be offered. b. A company can issue a red herring prospectus before issuing the final prospectus. c. A RHP shall be filed with the ROC at least 3 days before the opening of subscription list and offer.
3.	Same Obligations a. A RHP has the same obligations as a prospectus. b. Any differences between the RHP and the final prospectus shall be highlighted as variations.
4.	Filing Final Prospectus with ROC & SEBI After the offer closes, the final prospectus shall be filed with the ROC and SEBI, containing: a. Total capital raised (debt or share capital). b. Closing price of securities. c. Any missing details from the red herring prospectus.
5.	Note on Book Building a. Book Building is a price discovery method. b. The company provides a price range, not a fixed price. c. Underwriters collect orders from fund managers, specifying the number of shares and price they are willing to pay.

9. Abridged Prospectus (Sec 33)

	ABRIDGED PROSPECTUS
1.	Definition [Sec 2(1)] Abridged prospectus is a summary of the prospectus containing key salient features as specified by the SEBI through regulations.
2.	Need of Abridged Prospectus An abridged prospectus helps to reduce the cost of publishing large numbers of prospectuses which must accompany application forms for shares or debentures in a public offer.
3.	Accompanying the Application Form a. Requirement Every application form for shares or debentures shall be accompanied by the abridged prospectus. b. Exceptions The requirement does not apply in these cases: ✓ Underwriting agreements for shares or debentures. ✓ Shares or debentures not offered to the public. ✓ Offer made only to existing members of the company.

4.	Right to Receive Full Prospectus Any person can request a full prospectus before the closing of the subscription list and offer.
5.	Penalty A company failing to comply will be penalized with ₹ 50,000 for each default.

10. Deemed Prospectus

Content	
1.	Deemed Prospectus a. Deemed Prospectus refers to a document by which an offer for sale to the public is made and shall be deemed to be a prospectus issued by the company. b. Laws related to prospectus (contents, liability for mis-statements, omissions) apply to the deemed prospectus as well.
2.	Deemed Public Offer Allotment of securities is treated as a public offer if: a. Securities are offered to the public within 6 months of allotment b. Full consideration for securities has not been received by the company at the date of offer to the public.
3.	Contents of Deemed Prospectus a. Contents of prospectus u/s 26 apply. b. Net amount of consideration received or to be received. c. Time and place for inspecting contracts.
4.	Deemed Directors a. Persons making the offer are named as directors in the prospectus. b. Misstatements in the deemed prospectus are subject to penalties.
5.	Signatories to the Offer a. Company: Signed by 2 directors. b. Firm: Signed by not less than 1/2 the partners.
6.	Legal Liabilities Provisions relating to misstatements, contents, and liabilities (civil, criminal) apply to the deemed prospectus, in addition to the liability of the company offering securities.
	Note If rights issue is made to existing members with the right to renounce and the number of others > 50, it also becomes a deemed prospectus. [SEBI v Kunnamkulam Paper Mills Ltd]

Additional Reading	
1.	a. Public includes even a limited class of people. b. A document marked "For private circulation only" offered to a group of people still counts as a prospectus. c. A single private communication does not qualify as an issue under the Act. Publicity is required. d. Private and confidential documents are not subject to prospectus regulations unless made public.

11. Offer for Sale

Offer for Sale to Public	
1.	Approval of Board of Directors Members of a company, in consultation with the board, may offer their shares to the public as per legal provisions
2.	Deemed Prospectus a. Any document by which shares are offered for sale to the public is considered a prospectus issued by the company. b. Laws and rules regarding mis-statements and omissions in the prospectus apply.
3.	Authorisation of Company Members (individuals, bodies corporate, or both) selling shares shall authorize the company to take all actions on their behalf for carrying out the transaction and reimburse any related expenses.
4.	Exceptions Certain provisions do not apply, such as: a. Minimum subscription requirements. b. Minimum application value. c. Provisions for statements by the BOD regarding utilization of funds.
5.	Disclosures Disclose the person or entity bearing the cost of the sale and provide reasons for this. Note a. The key difference between OFS and IPO/FPO is that, in OFS, no new capital is raised by the company. b. OFS is generally used for promoter stake dilution.

12. Variation of Terms of Contract, Objects in Prospectus

Variation of Terms of Prospectus [Sec. 27]	
1.	SR at General Meeting a. The company cannot vary the terms or objects of the prospectus without a special resolution at a general meeting. b. The SR is passed via postal ballot.
2.	Contents of Notice for SR a. Original purpose or object of the issue. b. Total money raised. c. Money utilized for the original objects. d. Progress on originally proposed objects (e.g., 50%, 60%). e. Unutilized amount from the raised money. f. Details of the proposed variation in the terms of contracts or objects. g. Justification for the variation. h. Proposed timeframe to achieve the varied objectives. i. Clause-wise details of original objects. j. Risk factors of new objects. k. Any other relevant information for members to make an informed decision.
3.	Advertisement & Website a. The notice for the SR shall be published in 2 newspapers (one in English and one in vernacular language). b. The notice shall also be posted on the company's website.

4.	Prohibition on Speculation The company cannot use the funds raised through the prospectus for buying, trading, or dealing in equity shares of any other listed company.
5.	Exit Offer to Dissenting Shareholders a. Dissenting shareholders must be offered an exit option by promoters or controlling shareholders. b. Exit offer to be made at an exit price and in a manner specified by SEBI.

13. Mis-Statements in Prospectus

	A. Meaning of Misstatement
1.	Misstatement refers to stating something false or inaccurate, either by commission or omission. Misstatement in a prospectus is a serious offense, attracting both criminal and civil liability.
	B. Criminal Liability for Misstatements in Prospectus [Sec. 34]
2.	Untrue Statement A statement in a prospectus is considered untrue if: a. The statement is misleading in form or context. b. Any inclusion or omission is likely to mislead.
3.	Punishment u/s 447 If a prospectus includes misleading or untrue statement, every person authorizes the issue of such prospectus is liable u/s 447.
4.	Exception to Liability If a person proves: a. The statement or omission was immaterial, or b. They had reasonable grounds to believe the statement was true, they will not be liable u/s 447.
	Note a. Loss from the misstatement is not necessary to hold someone guilty u/s 34. b. Strict liability applies, meaning whether the omission was intentional or unintentional, the person will be held guilty u/s 34 and liable u/s 447.
	C. Civil Liability for Misstatements in Prospectus [Sec. 35]
1.	Compensating the Loss If a person suffers loss from acting on a misleading statement or omission in the prospectus, the company and every person involved in the prospectus (director, proposed director, promoter, expert, person authorised issue of prospectus.) will be liable to compensate for the loss.
2.	Exceptions – No Liability No person shall be liable if they prove: a. They withdrew consent before the prospectus issue and it was issued without their authority. b. They gave public notice that the prospectus was issued without their knowledge. c. They relied on an expert's authority, believing the statement to be true.
3.	Unlimited Liability – Fraud If the prospectus is issued with fraudulent intent to deceive investors, those responsible will be personally liable for all losses, without any limitation of liability.

Additional Reading (Case Examples)	
1.	Henderson v. Lacon A statement in the prospectus stated that directors and friends had subscribed a large portion of the capital, which was false. It was held as misleading.
2.	Rex v. Kylsant The prospectus claimed the company had paid regular dividends, while in reality, the company incurred substantial losses. It was held as misleading due to failure to disclose the full truth.
3.	Smith v. Chadwick A statement about the company's turnover was true only if considering production capacity, but misleading if referring to actual production level. The court held this as a misleading statement due to ambiguity.

14. Remedies of Misstatements in Prospectus

A. Right of Rescission	
1.	When to Seek Rescission? A person who purchases shares based on a misleading prospectus can apply to the court for rescission under the Indian Contract Act, 1872.
2.	Effect of Rescission a. The agreement to buy shares is voidable at the option of the subscriber. b. If rescinded, the company will remove the subscriber from the register and return their money with interest and other incidental costs. c. Compensation for damages from non-fulfillment of the contract can be claimed u/s 75 of the Indian Contract Act, 1872.
3.	Exceptions – When Rescission Is Not Available a. Subsequent purchasers from the market cannot rescind the contract. b. A subscriber to the MOA cannot seek relief as they were not influenced by the prospectus when signing.
B. Right of Action for Damages	
1.	When to Claim for Damages? If the misstatement amounts to fraud, the investor has a right to claim damages, even if the company is in liquidation.
2.	Pre-requisite to Claim for Damages a. There was fraudulent misrepresentation in the prospectus. b. The person was intended to act on it. c. The person suffered damages due to acting on the fraudulent misrepresentation.
C. Damages for Deceit	
1.	When is Remedy for Damages Available? Deceit remedy is available u/s 19 of the Indian Contract Act, 1872, even if rescission is lost due to negligence or company liquidation.
2.	Pre-requisite to Claim Damages for Deceit a. There was a fraudulent misstatement of material facts. b. The person is the original allottee who saw the prospectus. c. The person was actually deceived by the misstatement.

15. Punishment for fraudulently inducing a person to invest money.

A. Punishment for Fraudulently Inducing Investment	
1.	Any person who knowingly or recklessly makes a false, deceptive, or misleading statement, or deliberately hides material facts to induce another person to enter into an agreement: a. For acquiring, disposing of, subscribing for, underwriting securities. b. To secure a profit to any of the parties from fluctuations in securities value. c. For obtaining credit facilities from a bank or financial institution. shall be liable u/s 447.
B. Section 447 – Punishment for Fraud	
1.	No Public Interest (Amount ≥ Rs. 10 Lakhs or 1% of Turnover) If a person is guilty of fraud involving an amount of at least Rs. 10,00,000 or 1% of company turnover (whichever is lower): a. Imprisonment: Minimum 6 months to 10 years. b. Fine: At least the amount involved in fraud, but can extend to 3 times the amount involved.
2.	Public Interest Involved If the fraud involves public interest, the imprisonment will be at least 3 years.
3.	Fraud Amount < Rs. 10 Lakhs or 1% of Turnover If the fraud amount is less than Rs. 10,00,000 or 1% of turnover and there is no public interest: a. Imprisonment: Up to 5 years. b. Fine: Up to Rs. 50 Lakhs. c. Both imprisonment and fine are possible.
4.	Meaning of Fraud Fraud includes any act, omission, concealment, or abuse of position with the intent to: a. Deceive. b. Gain undue advantage or cause harm to the company, its shareholders, creditors, or anyone else. c. Whether or not there is any wrongful gain or wrongful loss. Note: ✓ Wrongful Gain The gain from unlawful means that the person is not legally entitled to. ✓ Wrongful Loss The loss from unlawful means that the person is legally entitled to.

16. Punishment for personation for acquisition, etc., of securities

Punishment for Personation for Acquisition, etc., of Securities [Section 38] Prevents the allotment of shares in fictitious names.	
1.	Offense Description Any person will be liable u/s 447 if: a. Makes or abets the making of an application in a fictitious name to acquire or subscribe for securities. b. Makes or abets multiple applications in different names (or combinations of names) for acquiring securities. c. Induces a company to allot or register securities in a fictitious name.
2.	Company's Obligation

	Every company issuing a prospectus shall prominently reproduce the provisions of sub-section (1) in the prospectus and all forms for securities applications.
3.	Court's Authority If convicted, the court may order: a. Disgorgement of any gain made by the person. b. Seizure and disposal of securities found in the person's possession.
4.	Investor Education and Protection Fund The amount received from disgorgement or disposal of securities will be credited to the IEPF.

17. Actions that can be taken by Affected Persons U/S 34, 35 And 36

	Content
1.	Legal Action for Misleading Prospectus a. A suit or other action can be taken u/s 34, 35, or 36 by any person, group, or association affected by a misleading statement or omission/inclusion in the prospectus. b. Only applicable if shares are allotted in the primary market, not if bought in the secondary market.
2.	Class Actions – Gift of Companies Act, 2013 Meaning: A class action suit is filed by a group of people against a defendant who has caused common harm to the entire group. a. Unlike regular litigation, the class or group doesn't need to be physically present in court; one petitioner can represent the entire group. b. The benefit is that if several people are harmed by one defendant, they can file one case together instead of individually.

18. Minimum subscription and Allotment of securities by company [sec. 39]

	Content
1.	Meaning of Allotment a. Allotment refers to the appropriation out of previously un-appropriated capital of a company. b. Shares come into existence only upon allotment.
2.	a. Minimum Subscription: ✓ A company cannot allot securities unless it receives applications equal to or more than the minimum subscription. ✓ Minimum Subscription is the minimum amount specified in the prospectus (cannot be less than 90% of the issue size as per SEBI Rules). ✓ The application amounts have been paid to and received by the company via cheque or other instruments at the time of application. b. Refund if Minimum Subscription Not Met: ✓ If the minimum subscription isn't met within 30 days of issue of prospectus, the amount paid on application shall be refunded within 15 days from the closure of the issue. ✓ The refund should be credited to the bank account from which the subscription was made. c. Default in Refund:

	If the company fails to refund the money within the time, directors and officers responsible are jointly and severally liable to pay the money with interest at 15% p.a.
3.	Minimum Application Money The application money for each security shall be at least 5% of the Face Value, or as specified by SEBI (currently 25% of the issue price).
4.	Filing with ROC When a company allots securities, it shall file a return of allotment with the ROC within 30 days using form PAS 3 along with the prescribed fee.
5.	Default Penalties If there's a default, the company and the defaulting officer will be liable to a penalty of Rs. 1,000/day for each day the default continues or a maximum of Rs. 1,00,000, whichever is lower.

19. Return of Allotment

	Content
1.	Filing Return of Allotment a. A company shall file a return of allotment with the ROC whenever it allots securities. b. The return shall be filed in the manner prescribed in the Companies (Prospectus and Allotment of Securities) Rules, 2014.
2.	Time Limit for Filing a. The return shall be filed in Form PAS-3 within 30 days of allotment. b. The company shall also pay the prescribed fee.
3.	Attachments to Form PAS-3 a. The following documents must accompany Form PAS-3, certified by the signatory for correctness: ✓ List of allottees: Names, address, occupation (if any), and ✓ Number of securities allotted to each allottee.
4.	Additional Attachments (Non-Cash Consideration) If shares are allotted for consideration other than cash (not including bonus shares), the following shall be attached: a. Copy of the contract (stamped) for the allotment, b. Contract of sale if it relates to property, asset, services, or other consideration. c. If the contract isn't written, the company shall provide its complete particulars, stamped as if it was written and it will be treated as instrument under the Indian Stamp Act, 1899. d. A report from a registered valuer is required for valuation of the consideration.
5.	Attachments for Issuance u/s 62(1)(c) If shares are issued u/s 62(1)(c) by a non-listed company, the valuation report from a registered valuer shall be attached to Form PAS-3.

20. Securities to be dealt with in stock exchanges [sec. 40]

	Content
1.	Application with Recognised Stock Exchange Before making a public offer, a company shall apply to one or more recognised stock exchanges and obtain permission for the securities to be listed and traded on them.
2.	Prospectus to State Name of Stock Exchange

	The prospectus shall mention the name(s) of the stock exchange(s) where the securities will be listed and traded.
3.	Maintain Separate Bank Account a. All money received on applications for securities shall be kept in a separate bank account in a scheduled bank. b. The money can only be used for: ✓ Adjustment against the allotment of securities if the securities are listed on the exchange(s) mentioned in the prospectus, or ✓ Repayment of monies if the company is unable to allot securities.
4.	Condition Purporting to Waive Compliance Shall Be Void Any condition that attempts to make applicants waive compliance with any of the provisions of this section will be considered void.
5.	In Case of Default If the company defaults in complying with this section, both the company and its officer(s) will be liable: a. Company: Fine ranging from ₹5 lakh to ₹50 lakh. b. Officer: Fine ranging from ₹50,000 to ₹3 lakh.
6.	Payment of Commission a. Commission can be paid to persons in connection with the subscription to its securities, subject to conditions. b. Conditions: ✓ Authorized by the company's AOA. ✓ The commission can be paid out of issue proceeds or the company's profits, or both. ✓ Rate of Commission For shares: Maximum commission is 5% of the issue price, or as per the AOA (whichever is lower). For debentures: Maximum commission is 2.5% of the issue price, or as per the AOA (whichever is lower). c. Disclosure of Particulars The prospectus must disclose the following details: ✓ Name of underwriters, ✓ Rate and amount of commission, ✓ The number of securities to be underwritten or subscribed by the underwriter. d. No commission is to be paid to underwriters for securities not offered to the public. e. A copy of the commission contract shall be submitted to the ROC at the time of filing prospectus.

21. Private Placement

Content	
1.	Meaning A private placement is an offer or invitation to subscribe or issue securities to a selected group of persons by a company, other than a public offer. It shall satisfy conditions u/s 42.
2.	Identified Persons a. Private placement is made only to identified persons who are selected by the Board of Directors.

	b. Right of Renouncement is not applicable in private placement.
3.	Prohibition on Offer to Certain Persons No offer is allowed to: a. Body corporate or nation from countries sharing a land border with India unless approved by the Government. b. Attach Foreign Exchange Management (Non-debt Instruments) approval.
4.	Number of Identified Persons 200 persons limit in a financial year: a. Limit applies separately to each type of security. b. Exclusions: QIBs and ESOPs are excluded. c. NBFCs and Housing Finance Companies have specific regulatory limits.
5.	Deemed Public Offer If the offer exceeds 200 persons, it is considered a public offer.
6.	Resolution for Private Placement Rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014. Steps include: a. Board Resolution shall be passed. b. Explanatory Statement detailing offer particulars. ✓ Date of BR ✓ Kinds of securities offered and the issue price ✓ Justification for the pricing, including any premium ✓ Name and Address of Registered Valuer ✓ Total amount intended to be raised. ✓ Terms of Issuance, timeline, purpose, promoter/director contributions and asset charged as security details c. SR approval required from shareholders. Exception: BR for Issue of Non-convertible Debentures within limit specified in sec 180(1)(c).
7.	Offer and Application Process a. Private placement offers cum application letter (PAS-4) to be issued within 30 days of recording the names. b. Payment can only be made via cheque, DD, or other banking channels (no cash). c. In case of joint holders, monies payable on subscription to securities shall be paid from the bank account of the person whose name appears first in the application. d. Company shall not utilise monies raised through private placement unless allotment is made and the return of allotment is filed with the ROC.
8.	Separate Bank Account All funds received from the application shall be kept in a separate bank account and used only for allotment or repayment if securities aren't allotted.
9.	60 Days' Time Limit for Allotment a. Securities must be allotted within 60 days from application receipt. b. If not allotted, the money shall be refunded within 15 days, or interest at 12% p.a. is applicable.
10.	Filing with ROC a. First Filing: Copy of BR and SR shall be filed with ROC before offering securities. b. Second Filing: A Return of Allotment shall be filed with the ROC within 15 days after allotment.

	c. Default in filing will incur penalties 1000/day during such default continues, up to Rs. 25 Lakh.
11.	Prohibition on Further Offer (Section 42) Further offers under private placement are allowed only after the previous offer's allotment is either completed, withdrawn, or abandoned.
12.	Multiple Offers to Same Persons A company can make multiple offers to the same identified persons.
13.	Prohibition a. No public advertisements or media channels can be used to inform the public about the issue. b. Private placement offer and application shall not carry any right of renunciation.
14.	Non-Compliance with Section 42 If a company violates Section 42: a. Penalty: May extend to the amount raised or Rs. 2 Crore, whichever is lower. b. Refund with Interest: The company shall refund all funds with interest within 30 days of penalty imposition. c. Deemed Public Offer: The offer will be treated as a public offer, subject to all applicable laws.

22. Irregular Allotment

	Content
1.	No Prospectus Issued (Sec 23) A company shall issue a prospectus in a public offer as per Sec 23. If not, it leads to an irregular allotment.
2.	Invalid or Misleading Prospectus The prospectus must include required details. If it lacks information or gives misleading, faulty, or incorrect details, the allotment is irregular.
3.	Prospectus Not Filed with Registrar (Sec 26(4)) The prospectus must be filed with the ROC for filing u/s 26(4). Failure to do so makes the allotment irregular.
4.	Minimum Subscription Not Received (Sec 39) If the minimum subscription mentioned in the prospectus is not received, the allotment is considered irregular.
5.	Less Than 5% Subscription on Application If the minimum amount to be paid on application is less than 5% of the nominal value of the securities offered, or less than the amount prescribed by SEBI, it leads to irregular allotment.
6.	No Approval for Listing (Sec 40) In a public issue, if listing approval from one or more recognized stock exchanges is not obtained, the allotment is irregular.

23. Global Depository Receipts

Content	
1.	A Global Depository Receipt (GDR) is a certificate issued by a depository bank, which buys shares of foreign companies and creates a security on a local exchange backed by those shares.
2.	Definition (Section 2(44))

	A GDR is a depository receipt created by a foreign depository outside India, authorized by a company to issue such receipts.
3.	Issuance of GDR (Section 41) A company may issue GDRs in foreign countries after passing a SR in its general meeting and subject to prescribed conditions.
4.	Manner and Form of GDRs a. GDRs can be issued through public offering, private placement, or any other manner allowed in the jurisdiction. They can be listed or traded on platforms in that jurisdiction. b. GDRs may be issued against new shares or shares held by current shareholders, as per the conditions prescribed by the CG or RBI. c. The underlying shares are allotted in the name of the overseas depository bank, and the GDRs are issued by the bank against those shares.
5.	Voting Rights a. A holder of GDRs can become a member of the company and vote only after converting the GDRs into underlying shares, following the procedure in the Scheme and the Companies Act. b. Until conversion, the overseas depository shall vote on behalf of the GDR holders, as per the agreement between the depository, GDR holders, and the company.

4. SHARE CAPITAL AND DEBENTURES

1. Kinds of Share Capital

	Content
1.	Share (Sec 2(84)) Share means share in the share capital of a company and includes stock. Note: a. Stock is a collection or bundle of fully paid- up shares. b. A Limited Company having a share capital can covert fully paid-up shares into stock. c. Shares Vs. Stock ✓ Stock is stated in lump sum whereas a 'share' being the smallest unit. ✓ Originally shares are issued to the shareholders while in case of stock, the fully paid-up shares of the members are converted into 'stock' afterwards. ✓ Thus, 'stock' is not issued originally but is obtained by conversion of fully paid-up shares
2.	Kinds of Share Capital a. Equity Share Capital means share capital other than preference share capital. It includes: ✓ Ordinary shares with equal voting rights (plain vanilla). ✓ Shares with different rights related to dividends, voting, or other aspects. b. Preference Share Capital is that part of share capital which carries or would carry a preferential right w.r.t ✓ Dividend payment at an agreed percentage. ✓ Repayment of capital at an agreed premium as per the MOA or AOA of the company at the time of liquidation. Note a. Preference shareholders may also participate in equity pool post the preferential entitlements. b. But to find out their rights of participation we must look the terms of the issue and AOA. c. PSC is presumed to be Non-Participatory, Cumulative (unless AOA specifies otherwise)

2. Equity Shares with Differential Rights (Dvr's)

	Content
1.	The company's AOA shall authorize the issue of shares with differential rights.
2.	Ordinary Resolution a. For unlisted companies, an ordinary resolution shall be passed at a general meeting to authorize the issue of shares. b. For listed companies, ordinary resolution shall be obtained via postal ballot from shareholders. c. The explanatory statement should contain details about the issue, including size and differential rights.
3.	Voting power of shares with DVR should not exceed 74% of the total voting power at any time.
4.	The company has not defaulted in filing FS or annual returns for the last 3 years.
5.	The company has no subsisting defaults in:

	a. Dividend payments, b. Repayment of deposits, interest thereon c. Repayment of debentures, interest thereon. d. Redemption of preference shares
6.	The company has not defaulted in: a. Payments of Preference Shares Dividend, b. Payment of Employee statutory dues, c. Transferring IEPF dues. d. Repayment of any term loan from PFI/State level FI/ Banks, interest payable thereon. Note: A company may issue DVR shares upon expiry of 5 years from the end of FY in which such default was made good.
7.	The company has not been penalized by a Court or Tribunal in the last 3 years under the RBI Act, SEBI Act, SCRA 1956, FEMA 1999, or other sector-specific laws.
8.	Existing equity shares with voting rights cannot be converted into DVR shares, or vice versa.
9.	Holders of DVR shares shall have the same rights as other equity shareholders, like bonus or rights shares, subject to the differential rights.
10.	The Register of Members shall include details of DVR shares issued, with the shareholder's details.
11.	The Board of Directors shall disclose the issue of DVR shares in the Board's Report for the FY in which the issue was completed.
12.	Exemptions: a. Specified IFSC Public Companies if their MOA or AOA allows it. b. Private companies if their MOA or AOA provides for it.

3. Share certificate (Sec. 46)

	Content
1.	Non-Demat - Share Certificate Share Certificate issued u/s 46(1) shall be distinctively numbered, issued under: a. Common seal of the company, or b. Signed by 2 directors or c. Signed by a director and the CS (if appointed). Note: a. If the composition of the Board permits of it, at least one of the aforesaid two directors shall be a person other than the MD or whole-time director b. A director is considered to have signed the share certificate if their signature is affixed using facsimile methods such as engraving, lithography, or digital signing, but not by a rubber stamp. The director is personally responsible for authorizing the use of their signature and ensuring the security of any machine, equipment, or material used for this purpose.
2.	Duplicate Share Certificate (SC) a. Duplicate certificate may be issued if: ✓ Original SC is Lost or destroyed, or ✓ Original SC is Defaced, mutilated, or torn (shall be surrendered to the company). b. Fees: Up to ₹50 per certificate (as decided by the Board). c. Disclosure: state "duplicate issued in lieu of share certificate No...." and prominently print "duplicate".

	d. Time Limit: ✓ Unlisted companies: Duplicate to be issued within 3 months. ✓ Listed companies: Duplicate to be issued within 45 days. e. Record Keeping: ✓ All issued and duplicate certificates must be maintained in Form SH-2, with cross-references to the Register of Members. ✓ The register shall be kept at Registered Office or at other place where Register of members is kept
3.	Demat Shares - Depository Proof No physical share certificate required. Depository records are prima facie evidence of ownership.
4.	Manner of Issuing Certificates/Duplicate Certificates a. Section 46(3) overrules company AOA for issuing certificates. b. Share certificates are issued for physical shares only (not demat). c. Prerequisites for issue: ✓ Surrender of letter of allotment or fractional coupons. ✓ Share certificate must be in Form SH-1 or as close as possible, specifying: ▪ Name(s) of the shareholder(s). ▪ Number of shares. ▪ Amount paid-up on the shares. ✓ Recording of Details: All issued certificates should be recorded in the Register of Members, including the date of issue.
5.	Maintenance of Share Certificate Records Form SH-1 and other related records: a. Blank forms for share certificates shall be machine-numbered and printed under Board resolution. b. Forms kept in custody of CS or authorized person. c. All records should be maintained for at least 30 years, and permanently in disputed cases. d. Surrendered certificates shall be defaced (stamped "cancelled") and can be destroyed after 3 years subject to BR and in the presence of duly authorised person.
6.	Punishment for Fraudulent Duplicate Certificates If a duplicate certificate is issued with intent to defraud: a. Company: Fine of minimum 5 * face value of shares, Maximum 10 * face value of shares or ₹10 crores whichever is higher. b. Officers in default: Liable u/s 447.

4. Voting Rights of Share Holders

	Content
1.	Voting Rights of Equity Shareholders a. Every equity shareholder has the right to vote on all resolutions placed before company. b. Poll: Voting rights on a poll are proportional to the shareholder's share in the PUESC. c. Nidhi Companies: A member cannot exercise voting rights exceeding 5% of total voting rights.
2.	Voting Rights of Preference Shareholders

	a. Voting rights apply only to resolutions ✓ that directly affect preference share rights, ✓ for winding up, or ✓ for repayment/reduction of equity or preference share capital. b. Poll: Voting rights on a poll are proportional to the shareholder's share in the paid-up PSC. c. Proportion of Voting Rights: ✓ The ratio of voting rights between ESH and PSH is proportional to their paid-up capital. ✓ If preference dividends remain unpaid for 2+ years, those shareholders can vote on all resolutions like equity shareholders. ✓ Shareholders vote proportionately to the PUSC of their share class in AGMs/EGMs.
3.	Non-Applicability Sec 47 does not apply to Private Company, Specified IFSC Public Companies, provided their MOA or AOA provides for it.

5. Variation of Rights of Shareholders

	Content
1.	Variation in Rights of Shareholders a. Rights of a class of shares can be varied if Consent is obtained from at least 3/4th of holders of issued shares of that class (in writing) or SR in a separate meeting. b. Variation is allowed: ✓ If Provisions for variation are included in the MOA or AOA, or ✓ In the absence of such provision, it is not prohibited by the terms of issue of the shares. c. Impact on Other Classes: If variation affects rights of another class, consent of 3/4th of that other class is also required.
2.	No Consent for Variation – Application to Tribunal a. If holders of 10% or more of the issued shares of a class did not consent, they can apply to the NCLT to cancel the variation. b. Application to NCLT shall be made within 21 days from the date consent was given or the resolution passed. c. Tribunal's decision is binding on all shareholders. d. The company shall file a copy of the Tribunal's order with the ROC within 30 days.
3.	Special Points a. Issuing new preference shares pari-passu with existing shares does not require the consent of preference shareholders. b. Cancellation of shares or reduction of capital does not amount to variation of class rights.

6. Calls & Incidental Matters there to

	Content
1.	Introduction to Calls [Sec. 49] a. Calls: Liability of a shareholder to pay the full value of partly paid-up shares is enforced by making calls. b. Statutory Liability: Section 10(2) states that all money payable by a shareholder under the MOA/AOA is a debt owed to the company. c. Liability Arises: Only after a valid call is made. d. Related Sections: ✓ Sec. 49: Principle of uniformity for calls. ✓ Sec. 50: Calls in advance. ✓ Sec. 51: Dividend rights on paid-up amounts.
2.	Call Shall Be on Uniform Basis a. Calls must be uniformly made for all holders of a given class of securities. b. Shares of the same nominal value but with different paid-up amounts do not fall under the same class for uniform calls. c. Shareholders may pay a part of the call amount due. The company is obligated to accept the amount tendered.
3.	Calls in Advance [Sec. 50] a. Company if authorised by AOA, may accept advance payments of unpaid amounts on shares, even before they are called. b. Advance payments do not confer voting rights until the amount is officially called up.
4.	Proportionate Dividend [Sec. 51] a. Dividend may be paid proportionately based on paid-up capital, including calls in advance, subject to AOA. b. The Board may decide to pay dividends on a pro rata basis if all equity shares are not equally paid-up. c. Preference Shares Dividend is always paid at a fixed rate for preference shares.

7. Issue of Shares at Premium

	Content
1.	Issue at Premium a. When a security is issued at a price higher than its face value, it is called an issue at premium. b. The difference between the issue price and face value is the premium.
2.	Securities Premium Account a. Premium received is transferred to the Securities Premium Account. b. Premium can be received in cash or kind.
3.	Treatment of Securities Premium For reduction of capital, securities premium is treated at par with paid-up capital.
4.	Application of Securities Premium Account The account can be used for: a. Issuing fully paid bonus shares. b. Writing off preliminary expenses of the company. c. Writing off expenses, commission, or discount on issuing shares or debentures. d. Premium payable on redeemable preference shares or debentures.

	e. Buyback of shares or securities u/s 68.
5.	Application by Prescribed Class of Companies Prescribed companies complying with accounting standards (Section 133) may apply the Securities Premium Account for: a. Paying up unissued equity shares to be issued as fully paid bonus shares. b. Writing off expenses, commission, or discount on equity share issues. c. Buyback of shares or securities u/s 68.

8. A company is prohibited to issue shares at discount u/s 53 of the act.

	Content
1.	General Rule a. A company shall not issue shares at a discount, except for sweat equity shares u/s 54. b. Any shares issued at a discount (other than exceptions) shall be void.
2.	Exceptions A company may issue shares at a discount to creditors when: a. Its debt is converted into shares under a statutory resolution plan or debt restructuring scheme. b. The scheme complies with RBI guidelines, directions, or regulations.
3.	Penalty for Non-Compliance If a company fails to comply with Sec 53: a. Company and officers in default: Penalty of either: ✓ An amount equal to the amount raised through discounted shares, or ✓ ₹5 lakhs, whichever is less. b. Refund with Interest: The company shall refund all monies received with 12% interest p.a. from the date of issue to the persons holding the shares.
4.	Note This restriction does not apply to debt instruments.

9. Issue of Sweat Equity Shares u/s 54

	Content
1.	Sweat Equity Shares [Sec. 2(88)] Equity shares issued by a company to its directors or employees: a. At a discount, or b. For non-cash consideration *(e.g., know-how, intellectual property rights, or value additions).*
2.	Conditions for Issuing Sweat Equity Shares [Sec. 54] A company may issue sweat equity shares if the following conditions are met: a. Issue is authorised by SR; allotment shall happen within 12 months of SR. b. Details Specified: Resolution shall specify: ✓ Number of shares, ✓ Market price, ✓ Consideration (if any), and ✓ Class of directors/employees eligible. c. Listed Companies: Comply with SEBI regulations. d. Rights of Sweat Equity Holders: Pari Passu with other equity shareholders.
3.	Important Conditions

	a. 15% Limit per Year: Sweat equity issuance limited to 15% of PUESC or ₹5 crores, whichever is higher. b. 25% Lifetime Limit: Sweat equity issuance must not exceed 25% of PUESC. c. Startup Relaxation: 50% PUSC for startups for up to 10 years post-incorporation. d. Lock-In Period: Sweat equity shares are non-transferable for 3 years from the allotment date. e. Valuation: ✓ Shares: Valued by a registered valuer. ✓ IPR/Know-How/Value Addition: Valued by a registered valuer with a justification report for the Board. f. Board Report: The Directors' Report shall include issue details. g. Registers: Form SH.3 to record sweat equity shares, kept at the registered office or a location authorized by the Board.
4.	Treatment of Non-Cash Consideration a. Depreciable/Amortizable Assets: Recorded in the balance sheet as per accounting standards. b. Other Cases: Expensed per accounting standards.
5.	Definition of "Employee" a. Permanent employees (working in India or abroad). b. Directors (whole-time or not). c. Employees/directors of subsidiaries or holding companies (India or abroad).
6.	Value Addition Value Addition: Actual or Anticipated economic benefits derived or to be derived from know-how, intellectual property rights, or professional expertise provided by the recipient.

10. Issue and Redemption of Preference Shares

	Content
1.	Conditions for Issue of Preference Shares a. A Company limited by shares shall issue preference Shares only if authorised by its AOA. b. The issue shall be authorised by SR in GM. c. The Company shall not have subsisting default in the a. Redemption of Preference Share b. Payment of dividend due on Preference Shares. d. A company cannot issue irredeemable preference shares. e. Max 20 Years: Preference shares shall be redeemed within 20 years from the date of issue. Exception: Companies engaged in iNFRA structure project may issue Preference shares for period up to 30 years for iNFRAstructure projects, with a 10% redemption every year starting from the 21st year at the option of Preference Share Holder.
2.	Redemption Conditions a. Sources: Redemption can only be from: ✓ Profits eligible for dividend distribution, or ✓ Proceeds from Fresh Issue made for redemption. b. Fully Paid Shares: Preference Shares shall be fully paid to be redeemed. c. Transfer to CRR Account:

	✓ If redeemed from profits, transfer the nominal amount of redeemed shares to Capital Redemption Reserve. ✓ If redeemed from fresh issue, no CRR transfer required; only premium from fresh issue can be used for redemption.
3.	Sources for Premium on Redemption a. For certain companies complying with prescribed accounting standards, premium on redemption shall be provided before redemption from company profits. b. Preference Shares Issued Before Act: Premium for shares issued before the Act can be provided from profits or securities premium account. c. Other Companies: Premium can be provided from profits or securities premium account before redemption.
4.	Unable to Redeem Preference Shares If a company is unable to redeem preference shares or pay dividends, it may: a. With the consent of 3/4th in value of preference shareholders & b. Approval from NCLT on a petition made by it in this behalf, issue further redeemable preference shares equal to the due amount (including unpaid dividends). Note: a. NCLT while giving approval, may order for the redemption of preference shares held by PSH who have not consented to issue of further redeemable PS. b. The issue or redemption of further redeemable preference shares does not amount to increase or reduce the capital of the company.

11. Transfer And Transmission of Securities

	Content
1.	Transfer of Securities Applies to: a. Transfer of securities of the company, or b. Transfer of interest of a member in a company with no share capital.
2.	Proper Instrument of Transfer Transfer shall be done using a proper instrument of transfer (SH-4): a. Duly stamped, dated, and executed by both transferor and transferee (except for depository transactions). b. Shall include name, address, and occupation of the transferee. c. Shall be delivered to the company within 60 days of execution, along with the share certificate, or letter of allotment (if no Share certificate).
3.	Exemption to Govt Co. No instrument required for certain transfers in Government companies: a. For bonds issued by the company, the transferee needs to inform the company along with the bond certificate. b. For securities held by government nominees (change of nominees). Note: Exemption applies to government companies which has not defaulted in filing its FS and Annual Returns with ROC.
4.	If Instrument is Lost If the instrument is lost or not delivered within 60 days, the company may register the transfer on terms of indemnity as decided by the Board.
5.	Notice to Transferee in case of Partly Paid Shares

	If an application for registration of transfer is made by the transferor alone, the company shall not register transfer unless: a. Company has given notice (SH-5) to transferee b. Transferee gives no objection within 2 weeks of receiving the notice.
6.	Transmission [Sec 56(2)] a. A company can register the transmission of rights without being bound by the conditions u/s 56(1) for registration of transfer. b. Transmission is allowed upon receiving intimation from the entitled person, without requiring an instrument of transfer.
7.	Cases of Transmission Transmission occurs in the following cases: a. Death: Shares are transmitted to the legal representative of the deceased. b. Insolvency: Shares are transmitted to the Official Receiver. c. Lunacy: Shares are transmitted to the administrator appointed by the Court.
8.	

Situation	Period for Delivering Certificate
1. Subscribers to the MOA	Within 2 months of incorporation.
2. Allotment of Shares	Within 2 months of allotment.
3. Transfer or Transmission of Securities	Within 1 month of receipt of the instrument of transfer or intimation of transmission.
4. Allotment of Debentures	Within 6 months of allotment.
5. All Securities by Specified IFSC Public and Private Companies	Within 60 days after incorporation, allotment, transfer, or transmission.
6. Securities Dealt in a Depository	The company shall immediately intimate the details of allotment to the depository upon allotment.

9.	Direct Transfer of Security of the Deceased by Legal Representative: A legal representative can transfer a deceased person's securities or interest without being the holder of those securities, as long as the transfer is properly executed.
10.	Default in Compliance a. Penalty: A penalty of ₹50,000 applies to the company and every officer in default if the above provisions are not followed. b. Liability of Depository: If a depository or depository participant transfers shares fraudulently, they are liable u/s 447, and the penalties under the Depositories Act, 1996.

12. 'Forged transfer'

	Content
1.	Forged Transfer a. A forged transfer is a nullity and not legally binding. b. Occurs when a company registers a transfer of shares based on an instrument of transfer with forged signatures of the transferor.
2.	Effect on Real Owner The real owner (transferor) remains the legal shareholder. The company can be forced to: a. Delete the transferee's name and

	b. Restore the original shareholder's name in the Register of Members.
3.	Remedy for Genuine 3rd Party Buyer and Company If a transferee (who acquired shares via a forged transfer) sells them to a innocent buyer, and the company registers the new buyer: a. Remedy for Innocent Buyer ✓ The company cannot deny ownership rights to the genuine buyer who acted in good faith. ✓ The company shall restore the name of the original shareholder but may be asked to compensate the innocent buyer. b. Remedy for Company The company can seek indemnity from the first transferee (who used the forged instrument).
4.	Role of Dematerialisation a. Dematerialisation significantly reduces the chances of forgery. b. Private companies are not required to dematerialise securities, but due to fewer shareholders, they can exercise caution and detect forgery more easily.

13. Punishment for Personation of Shareholder [Section 57]

	Content
1.	Intentional Personation If a person intentionally personates as the owner of: a. Any security or interest in a company, or b. Any share warrant or coupon issued under the Act.
2.	Offenses The person: a. Obtains or attempts to obtain any such security, interest, share warrant, or coupon; b. Receives or attempts to receive any money due to the rightful owner.
3.	Punishment a. Imprisonment: Minimum 1 year, but can extend to 3 years. and b. Fine: Minimum Rs. 1,00,000, but can extend to Rs. 5,00,000.

14. Refusal of Registration And Appeal Against Refusal

	Content
1.	Refusal to Register Transfer of Shares a. If a private company refuses to register the transfer or transmission of any securities or interest, it shall send notice to the transferor and transferee within 30 days of delivery of transfer instrument or transmission intimation. b. Appeal to Tribunal Transferee can appeal to Tribunal: ✓ Within 30 days of receiving refusal notice, or ✓ If no notice is sent, within 60 days of delivery of the transfer instrument/ intimation.
2.	Refusal by Public Company a. Public company securities are freely transferable, subject to contract/arrangement enforceable under law.

	b. If a public company refuses to register the transfer of securities within 30 days of delivery of transfer instrument/transmission intimation, the transferee may appeal to NCLT: ✓ within 60 days of refusal, or ✓ If no refusal notice, within 90 days of delivery of transfer instrument/ intimation.
3.	Dealing by NCLT The NCLT, after hearing parties, may: a. Order the transfer/transmission to be registered within 10 days. b. Direct rectification and pay damages to the aggrieved party. c. Non-compliance with Tribunal's order results in: ✓ Imprisonment: 1 to 3 years and ✓ Fine: Rs. 1,00,000 to Rs. 5,00,000.

15. Rectification of Register of Member [Section 59]

	Content
1.	Remedy to Members – Application to NCLT a. Aggrieved Person or Member may apply to NCLT for rectification of the ROM if: ✓ A person's name is wrongly entered in the ROM. ✓ Member's details are later omitted from the ROM. ✓ There is default or delay in recording the name in the ROM. b. Foreign members can appeal to competent courts outside India for rectification.
2.	Order of the Tribunal – Final NCLT, after hearing both parties, may: a. Dismiss the appeal, or b. Direct registration of transfer/transmission within 10 days, or c. Direct rectification of the ROM or records of depository and order the company to pay damages to the aggrieved party, if applicable.
3.	Voting Rights – Transferee A person acquiring securities is entitled to voting rights unless suspended by the Tribunal's order.
4.	Contravention of Other Laws If the transfer violates any law, including SCRA, 1956, SEBI Act, 1992, or Companies Act, 2013, NCLT may, on an application, direct any company or depository to set right the contravention & rectify the records/registers of concerned parties (e.g., Depository, Company, DP, SEBI).

16. Authoried Capital & Called Up Capital

	Content
1.	Authorised Capital It refers to the maximum amount of share capital that a company is authorised to issue, as specified in the memorandum.
2.	Called-Up Capital It refers to the part of the share capital that the company has called for payment from shareholders.

17. Alteration Of Share Capital

Content	
1.	Conditions for alteration: Limited company with Share Capital may alter capital clause if a. Authorised by AOA. b. Approved by OR in GM
2.	a. Increase the authorised share capital by any amount deemed necessary, as per the company's discretion. b. Consolidate and divide share capital into shares of larger amount. Note: If consolidation and division results in changes in voting powers, it shall be approved by the Tribunal. c. Convert fully paid-up shares into stock and reconvert stock into fully paid-up shares of any denomination. d. Sub-divide shares (split) into smaller amount Note: The paid and unpaid amounts on a reduced share shall maintain the same proportion as the original share. e. Cancel shares that have not been taken or agreed upon by any person, thereby diminishing the share capital. Note: This is not considered a reduction in share capital.
3.	Inform to ROC Notice must be given to the ROC within 30 days of alteration, along with the altered MOA.

18. Further issue of share capital and preferential allotment

Further Issue of Shares	
1.	When a company with share capital plans to increase its subscribed capital by issuing more shares, these shares shall be offered: a. To Existing Equity Shareholders: In proportion to their paid-up capital on the shares they hold as of the offer date. b. To Employees Under an Employee Stock Option Scheme (ESOP) subject to a special resolution passed by the company. ✓ Employee Stock Option: An option granted to directors, officers, or employees of the company (or its holding/subsidiary company) to buy or subscribe to shares at a pre-determined price in the future. ✓ In the following cases, an ordinary resolution is sufficient instead of a special resolution: ▪ A private company that has not defaulted in filing its financial statements u/s 137 or annual return u/s 92. ▪ A Specified IFSC Public Company. ✓ For listed companies, SEBI's Share Based Employee Benefits Regulations, 2014 must be followed. c. To Any Other Persons: If authorized by a special resolution, shares can be issued even to those not covered under the above two categories. Notes: ✓ Shares can be offered for cash or non-cash consideration. ✓ If offered for non-cash consideration, the price must be determined by a valuation report from a registered valuer, as per Rule 13 of the Companies (Share Capital and Debentures) Rules, 2014.

2.	Letter of Offer shall: a. Specify the number of shares being offered. b. Specify the time period for acceptance, which shall be at least 15 days but not more than 30 days, unless a shorter period (minimum 7 days) is prescribed. c. State that if the offer is not accepted within the specified time, it will be deemed declined. d. Confirm the right to renounce shares in favour of another person unless restricted by the AOA. Notes: ✓ If an existing shareholder declines the offer or does not respond within the specified time, the Board of Directors may dispose of those shares in a manner that is not disadvantageous to the shareholders or the company. ✓ When determining the proportion of shares to be offered, the allocation shall be as fair as possible under the circumstances. ✓ For Private Companies and Specified IFSC Public Companies: A shorter acceptance period may be provided if 90% of the members consent in writing or electronically.
3.	Length of Notice: a. The notice shall be sent to all existing shareholders at least 3 days before the issue opens. b. It can be dispatched via registered post, speed post, electronic mode, courier, or any other method that provides proof of delivery. c. For Private Companies, a shorter notice period (less than 3 days) is allowed if 90% of the members consent in writing or electronically.
4.	Board Approval Only For rights issues to existing shareholders, only a Board Resolution is needed. General Meeting approval is not required.
5.	Exception – Section 62 Does Not Apply to Debenture or Loan Conversion a. If a debenture (as per issue conditions) or loan (as per loan terms) is converted into equity shares, it increases the subscribed capital of a company. However, Section 62 does not apply if: ✓ The conversion terms and conditions are predefined, ✓ They are approved in a general meeting through a special resolution, before the debenture is issued or the loan is granted. b. CG Directed Conversion The government can order the conversion of: ✓ Debentures issued to the government, or ✓ Loans granted by the government, ✓ Either fully or partially into the company's shares, ✓ If the government finds it necessary in the public interest, ✓ On reasonable terms set by the government, ✓ Even if the original debenture or loan terms do not allow conversion. c. Remedy Against Forced Conversion (Proviso to Sub-section 4) ✓ If the company disagrees with the conversion terms, it can appeal to the Tribunal within 60 days of receiving the order. ✓ The Tribunal will hear both parties (company and government) and pass an appropriate order.

	✓ Factors Considered by the Government (Sub-section 5) While setting conversion terms, the government must consider: ▪ The company's financial position. ▪ The original debenture or loan terms. ▪ The interest rate on debentures or loans. ▪ Any other relevant factors. d. Effect on Authorised Share Capital ✓ If the government orders conversion, the company's authorised share capital automatically increases by the value of the converted shares. ✓ The MoA is altered accordingly. e. Exemption for Nidhi Companies: Sec 62 does not apply to Nidhi Companies. However, they must protect their shareholders' interests while using this exemption.

19. Issue of Bonus Shares

	Content
1.	Bonus shares are issued to existing shareholders as fully paid shares, free of cost.
2.	Source of Funds Bonus shares can only be issued from: ✓ Free reserves ✓ Securities premium account ✓ Capital redemption reserve account
3.	Prohibited Source Revaluation reserves cannot be used for issuing bonus shares.
4.	Procedural Conditions a. The issue of bonus shares must be authorized by the AOA. b. Approval by the Board of Directors is required. Once recommended, it cannot be withdrawn. c. Requires shareholder approval in the General Meeting through an Ordinary Resolution. d. The company must not have defaulted on: ✓ Interest or principal payments on fixed deposits or debentures/bonds. ✓ Statutory dues such as employee provident fund, gratuity, or bonus. e. Partly paid-up shares must be made fully paid-up before issuing bonus shares. f. Bonus shares cannot be issued in lieu of dividends.
5.	Capitalisation of Profits According to Sec 123(5), a company may capitalise its profits or reserves to issue fully paid-up bonus shares or pay unpaid amounts on shares held by members.

20. Filings with Roc U/S 64 Of Companies Act, 2013

	Content
1.	Notice for Alteration Whenever there is an alteration in share capital, the company shall notify the ROC as per Sec 64.
2.	Filing of Prescribed Notice The company must file Form SH-7 with the ROC along with the altered MOA within 30 days of capital alteration in the following cases: a. Alteration of share capital as specified in Sec 61(1).

	b. Government Order u/s 62(4) read with 62(6) resulting in an increase in authorized capital. c. Redemption of any redeemable preference shares.
3.	Penalty for Default a. Company: ₹500 per day of default, up to a maximum of ₹5,00,000. b. Officer in Default: ₹500 per day of default, up to a maximum of ₹1,00,000.

21. Reduction of Capital (Sec 66)

	Content
1.	A company limited by shares or limited by guarantee with share capital may reduce its share capital through a special resolution in the following ways: a. Extinguishing or reducing liability on unpaid share capital. b. Cancelling paid-up capital, either: ✓ If it is lost or unrepresented by available assets, or ✓ If it is excess capital, the company may pay it off and amend its memorandum accordingly.
2.	NCLT Approval After passing the special resolution, an application must be made to the Tribunal. Exceptions: Buy-back of shares (Sec 68) and redemption of preference shares (Sec 55) are considered capital reduction but do not require NCLT approval.
3.	Alteration of Memorandum The company must also update its memorandum to reflect the reduced share capital. Note: Diminution means reducing unsubscribed authorized capital, which is different from capital reduction.
4.	Prohibition on Capital Reduction A company cannot reduce capital if it has defaults in deposits or interest.
5.	Tribunal Notice & Consideration of Representations a. Tribunal will notify the following parties about the application: ✓ CG (RD) ✓ ROC ✓ SEBI (for listed companies) ✓ Company's creditors b. If any of these parties raise objections within 3 months, Tribunal will consider them. c. If no objections are received within 3 months, it is assumed that there are no objections to the capital reduction.
6.	Order of Tribunal on Capital Reduction a. The Tribunal may approve reduction of share capital if it is satisfied that all creditors' claims are discharged, or settled, or secured, or their consent is obtained. b. The approval will be subject to conditions as deemed fit by the Tribunal. c. Auditor's Certificate on Accounting Treatment ✓ The Tribunal will sanction capital reduction only if the company's accounting treatment complies with Accounting Standards (Section 133). ✓ A certificate from the company's auditor confirming compliance must be filed with the Tribunal. d. Publication of Tribunal Order ✓ The company must publish the Tribunal's order in a manner directed by the Tribunal (e.g., newspapers, company website).

	✓ This allows for representations and objections from affected parties (such as creditors), which will be forwarded to NCLT.
7.	Filing with ROC a. The company must submit a certified copy of the Tribunal's order and an approved minute to the Registrar of Companies (ROC) within 30 days. b. The minute must specify: ✓ Total share capital after reduction. ✓ Number of shares and their division. ✓ Value of each share. ✓ Paid-up amount per share (if applicable). c. ROC will register the reduction and issue a certificate confirming the change.
8.	No Liability on Members a. Past and present members shall not be liable for any additional payments on their shares. b. They are only liable for the difference (if any) between: ✓ The amount paid on the share, or ✓ The reduced amount deemed to be paid as per the Tribunal's order.
9.	Creditor's Right to Object – Failure to Object If a creditor who had the right to object to the capital reduction: ✓ Did not object due to ignorance or ✓ Was omitted from the creditors' list, AND the company defaults under Sec 6 of the IBC, 2016, then: ✓ If the Company Still Exists: ▪ Every person who was a member of the company at the time of registration of the Tribunal's order shall be liable to contribute towards that debt or claim. ▪ The contribution shall not exceed the amount they would have been liable to if the company had been wound up immediately before the order date. ✓ If the Company is Wound Up: ▪ A creditor (who was unaware of the reduction) can apply to the Tribunal to be included in the list of contributories. ▪ The Tribunal may settle the list of contributories, issue calls, and enforce payments from them as in a normal winding-up process.
10.	Liability of Officers An officer of the company shall be held liable u/s 447 if they: a. Knowingly conceal the name of a creditor entitled to object. b. Misrepresent the nature or amount of a creditor's debt or claim. c. Are aware of and abet such concealment or misrepresentation.
11.	Overriding Provision Section 68 (Buyback of Securities) has overriding effect over Section 66 (Reduction of Capital).

22. Restrictions on purchase of its own shares (Sec 67)

	Content
1.	Prohibition on Direct Purchase A company limited by shares or a company by guarantee with share capital cannot buy its own shares unless the reduction of share capital is done as per the provisions of this Act. Exceptions The following companies are allowed to buy their own shares: a. Private Companies / IFSC Public Company ✓ No other corporate body has invested in the share capital. ✓ Borrowings from banks/financial institutions are less than 2*PUSC or 50 crore INR (whichever is lower). ✓ No default in repayment of borrowings at the time of purchase. b. Nidhi Company Nidhi companies can buy shares from members who cease to be depositors or borrowers, and this will not be considered a reduction of capital.
2.	Prohibition on Indirect Purchase of Own Shares No Assistance for Purchase A public company cannot provide any financial assistance (e.g., loan, guarantee, or security) to anyone for purchasing its own shares or shares in its holding company. Exceptions The following are exceptions: a. Lending Business Banking companies can lend money in the ordinary course of business. Note: If money is given solely for purchasing the bank's shares, this is not considered lending in the ordinary course of business. b. Employee Share Purchase Scheme The company can lend money through a special resolution for the purchase of shares for its employees or trustees holding shares for their benefit. ✓ Purchase of shares must be through a recognized stock exchange for listed companies. ✓ For unlisted companies, valuation must be done by a registered valuer. ✓ The purchase/subscription value cannot exceed 5% of the company's paid-up capital and free reserves. ✓ The company must disclose details about voting rights, including names of employees who did not exercise voting rights directly, and the reasons. c. Employee Loan A company can give loans to employees (except directors or KMPs) for purchasing shares, provided: ✓ The loan amount does not exceed employee's salary/wages. ✓ Loan is for a period of six months. ✓ Loan is to enable purchase of fully paid-up shares.
3.	Right to Redemption The right of a company to redeem preference shares is not affected by this section.
4.	Penalty for Contravention Company Fine between ₹ 1,00,000 and ₹ 25,00,000.

	For Officer in Default: Imprisonment Up to 3 years. & Fine between ₹ 1,00,000 and ₹ 25,00,000.

23. Buyback of Shares

	Content
1.	Sources of Funds for Buy-Back [Sec. 68(1)] A company can buy-back its shares using: a. Free Reserves b. Securities Premium Account c. Proceeds of the issue of any shares or other specified securities Specified Securities: Includes employee stock options and other securities notified by the government. Note: Cannot use proceeds from the earlier issue of the same kind of shares.
2.	Conditions for Buy-Back [Sec. 68(2)] The following conditions must be met: a. AOA: must authorise buy-back. b. Special Resolution: A special resolution must be passed in a general meeting, unless buy-back is ≤ 10% of (PESC+FR+SP), then Board Resolution is sufficient. c. Max 25% of PUSC + Reserves: Buy-back cannot exceed 25% of the aggregate of (PESC+FR+SP). d. Debt to Equity Ratio: Post-buy-back, the ratio of debt to (PESC+FR+SP) must not exceed 2:1. e. Fully Paid Shares: Only fully paid-up shares are eligible. f. SEBI Regulations: Listed company must comply with SEBI regulations. g. Lock-in Period: No buy-back within 1 year from the closure of the previous buy-back.
3.	Procedure Before Buy-Back The notice of the meeting at which special resolution is proposed to be passed shall be accompanied by an explanatory statement stating - a. A full and complete disclosure of all the material facts; b. The necessity for the buy-back; c. The class of shares or securities intended to be purchased under the buy back; d. The amount to be invested under the buy-back; and e. The time limit for completion of buy-back.
4.	Max 12 Months' Time Limit Buy-back must be completed within 12 months from passing the resolution. Procedural Steps: a. File letter of offer with the ROC (Form No. SH.8) within 20 days. b. Offer open for not less than 15 but not exceeding 30 days. c. Proportionate acceptance if shares offered exceed the buy-back quantity. d. Verifications completed within 15 days of closure. e. Payment to shareholders within 7 days of verification. f. Return unaccepted shares.
5.	Buy-Back from whom a. Existing Shareholders/Security Holders b. Open Market c. Employee Stock Option/Sweat Equity Holders
6.	Declaration of Solvency

	a. A declaration of solvency shall be filed with the Registrar and SEBI (for listed companies). b. Declaration of solvency has to be on a Form SH-9 and verified by an affidavit, stating that the Board of directors has made a full inquiry into the affairs of the company and have found that it is capable of meeting all its liabilities and will not be rendered insolvent for a period of 12 months from the date of the declaration. c. Signed by Directors: At least 2 directors, including the MD.
7.	Extinguishment of Securities After buy-back, the company must extinguish and destroy the bought-back securities within 7 days.
8.	Cooling Period on Further Issue After a buy-back, the company cannot issue the same kind of shares for 6 months. Exceptions: a. Bonus Shares b. Discharge of Obligations: e.g., conversion of warrants, stock options, sweat equity, or preference shares.
9.	Register of Buy-Back a. A register must be maintained with: ✓ Shares/securities bought. ✓ Consideration paid. ✓ Cancellation and destruction dates. b. Registers are maintained at the registered office, authenticated by the CS.
10.	Filing of Buy-Back Return with ROC and SEBI a. After completion, file a return with ROC and SEBI (Listed Company) within 30 days. b. A certificate (Form No. SH.15) must be submitted confirming compliance with the provisions.
11.	Penalty for Default If the company defaults: a. Company: Fine of ₹ 1,00,000 to 3,00,000. b. Officers in Default: Fine of ₹ 1,00,000 to 3,00,000.
12.	Transfer of Certain Sums to Capital Redemption Reserve Account If buy-back is from free reserves or securities premium account, a sum equal to the nominal value of shares must be transferred to Capital Redemption Reserve
13.	Prohibition for Buy-Back in Certain Circumstances [Sec. 70] No company shall directly or indirectly purchase its own shares or specified securities: a. Through any subsidiary company, including its own subsidiaries; b. Through any investment company or group of investment companies; c. If the company has defaulted in: ✓ Repayment of deposits or interest on deposits; ✓ Redemption of debentures; ✓ Redemption of preference shares; ✓ Payment of dividends to any shareholder; ✓ Repayment of any term loan or interest thereon to any financial institution or banking company. Exception: Buy-back allowed if the default is rectified and 3 years have passed since it was cleared.

	Non-Compliance of Provisions: If the company fails to comply with Sections 92, 123, 127, or 129, buy-back is prohibited.

24. Debentures

	Content
1.	Debenture [Sec. 2(30)] Debenture includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not.
2.	Exclusions from Debentures: a. Instruments under Chapter III-D of the RBI Act. b. Other instruments prescribed by the CG in consultation with RBI.
3.	Features of Debentures a. A debenture represents the smallest unit of a large loan amount. b. Upon issuance, applicants receive certificates as proof of the money lent to the company. c. A debenture certificate is issued by the company under its common seal (if any) or signed by 2 directors or 1 director and the CS (if appointed). d. The company pays periodic interest on the debenture amount until full redemption. e. The interest rate is usually pre-fixed at the time of issuance. f. As per Sec 71(2) of the Act, debentures do not carry voting rights. g. U/s 44, a debenture is considered movable property and is transferable as per the company's AOA. h. Debentures can be secured or unsecured. Secured debentures have a charge on the company's assets in favour of the debenture trustee. i. As per the terms of issue, debentures may be redeemed in full at the end of their term or in installments (e.g., yearly or bi-yearly). j. The terms of issue may allow conversion of debentures into equity shares at maturity, at the option of debenture holders. k. U/s 56(4)(d), debenture certificates shall be issued within 6 months of allotment unless restricted by law, court, tribunal, or any other authority.

25. Issue And Redemption of Debentures

	Content
1.	A company may issue debentures with an option to convert them into shares, wholly or partly at the time of redemption.
2.	Issue of convertible debentures requires a special resolution passed at a general meeting.
3.	Debentures do not carry voting rights as per Section 71(2).
4.	Secured Debentures a. Redemption period cannot exceed 10 years from the issue date. b. Exception: The tenor can be extended up to 30 years for the following: ✓ Companies setting up infrastructure projects. ✓ Infrastructure Finance Companies. ✓ Infrastructure Debt Fund NBFCs. ✓ Companies permitted by regulatory authorities such as: ▪ Ministry or Department of the CG ▪ Reserve Bank of India (RBI) ▪ National Housing Bank (NHB)

	▪ Any other statutory authority c. A charge is created on the company's assets for secured debentures.
5.	Debenture Trustee Appointment A company shall appoint a debenture trustee before the issue of prospectus or letter of offer for subscription of its debentures.
6.	Limits on Borrowings from Debentures [Sec. 180(1)(c)] a. Special Resolution Requirement If borrowings from debentures exceed the company's (PUSC+FR+SP), special resolution is required. b. Board Resolution for Lower Borrowings If borrowings do not exceed the above limits, a Board resolution is sufficient. Note: Temporary loans from banks are not considered borrowings.
7.	Debenture Trustee a. If a company issues debentures to public or to its members exceeding 500, it must appoint one or more debenture trustees and issue a prospectus for public offer. b. A written consent from the proposed debenture trustee must be obtained before appointment. c. Debenture trust deed shall be executed in Form SH-12 to protect the interest of the debenture holders, within 3 months of closure of the issue or offer. d. Disqualifications of Debenture Trustees The following persons cannot be appointed as debenture trustees: ✓ A beneficiary holding shares in the company. ✓ A promoter, director, KMP, officer, or employee of the company or its holding, subsidiary, or associate company. ✓ A relative of any promoter, director, or KMP of the company. ✓ A beneficiary entitled to receive payments from the company, except as remuneration payable to the debenture trustee. ✓ Anyone indebted to the company or its subsidiary, holding, or associate company or a subsidiary of such holding company. ✓ Anyone who has furnished a guarantee for the principal debt secured by the debentures or interest thereon. ✓ Anyone having a pecuniary relationship with the company, amounting to: ▪ 2% or more of the company's gross turnover or total income, or ▪ ₹50 lakh or more (or any higher amount as prescribed), ▪ During the 2 immediately preceding FY's or the current FY. e. Filling Casual Vacancy ✓ The Board may fill any casual vacancy in trustee office. ✓ If caused by resignation, it requires approval of majority debenture holders. f. A trustee can be removed with 3/4th approval of debenture holders. g. Debenture trustees must protect the interests of debenture holders and can convene meetings to address grievances or breaches on receiving a request from Debenture holders holding at least 1/10th of the value. h. Any terms exempting trustee liability for breach of trust are void unless approved by 3/4th of debenture holders.
8.	a. A company must pay interest and redeem debentures according to the terms. b. If the company's assets are insufficient to discharge debenture liabilities, the trustee can file a petition to the Tribunal to impose restrictions on further liabilities.

	c. If the company fails to redeem debentures at maturity or pay interest on due dates, the Tribunal can order immediate redemption and payment. d. A contract to take and pay for debentures can be enforced through a decree for specific performance.
9.	The Central Government may prescribe procedures for: a. Securing the issue of debentures. b. Form of debenture trust deed. c. Inspection and obtaining copies of the trust deed. d. Quantum of debenture redemption reserve.

26. Debenture Redemption Reserve

Category	Publicly placed debenture	Privately placed debenture
All India Financial Institutions (regulated by RBI)	Exempted	
Banking Companies	Exempted	
Listed companies (other than All India Financial Institutions and Banking Companies covered above)	Exempted except NBFCs not registered with RBI u/s 45IA of RBI Act, and for House Finance companies not registered with National Housing bank	
Unlisted Companies (other than All India Financial Institutions and Banking Companies covered above)	DRR equal to 10% of Outstanding Debenture	DRR equal to 10% of Outstanding Debenture Except NBFCs registered with RBI u/s 45IA of RBI House Finance Companies registered with National Housing bank

Investment Requirements	
1.	Listed Companies in case of publicly placed debentures and Unlisted Companies in case of publicly & privately placed debentures An amount equal to 15% of its debentures maturing during the financial year, ending on the 31st day of March of the next year, shall be invested or deposited in any of following methods of deposits or investments, namely: a. Deposits with any scheduled bank, free from any charge or lien; b. Unencumbered securities of the CS or any SG; c. Unencumbered securities mentioned in sub-clause (a) to (d) and (ee) of section 20 or unencumbered bonds issued by any other company which is notified under sub-clause (f) of sec 20 of the Indian Trusts Act, 1882.

2.	a. The investments cannot be used for securing loans or any other purposes. b. These investments must only be used for the redemption of debentures. c. The investment should not fall below 15% of the amount of maturing debentures. d. For partly convertible debentures, DRR shall be created for the non-convertible portion.

5.ACCEPTANCE OF DEPOSITS

1. Deposit

	Definition
1.	The term 'deposit' refers to any money received by a company as a deposit, loan, or in any other form, except for amounts excluded by rules set in consultation with the Reserve Bank of India.
2.	a. The definition is inclusive in nature. b. It covers money received as: ✓ Deposit ✓ Loan ✓ Any other form c. Repayment is time-bound. d. It can be secured (only on tangible assets) or unsecured. e. Excludes specific amounts as per Rule 2(1)(C). f. Private companies can accept deposits only from members. g. Public companies can accept deposits from members and the public, subject to conditions. h. Deposits can be held jointly by up to 3 persons. i. A depositor can nominate a person at any time. j. Every deposit shall be repaid with interest. k. Companies may allow premature repayment of deposits.

2. Following aren't considered as Deposits under rule 2(1)(c)

	Content
1.	Amounts from Government a. CG or SG. b. Amounts from sources guaranteed by the CG or SG. c. Amounts received from local authorities. d. Amounts from authorities constituted under an Act of Parliament or State Legislature.
2.	Foreign Government Amounts from: a. Foreign Governments b. Foreign or international banks c. Multilateral financial institutions d. Foreign financial institutions, export credit agencies, collaborators, bodies corporate, citizens, and authorities Subject to Foreign Exchange Management Act, 1999.
3.	Loans from Banks Amounts received from: a. Banking companies b. State Bank of India and its subsidiaries c. Notified banking institutions d. Co-operative banks.
4.	Loans from PFI Amounts received from: a. Public Financial Institutions (PFIs)

	b. Regional financial institutions c. Insurance companies d. Scheduled banks.
5.	Amounts received against commercial papers or instruments issued as per RBI guidelines.
6.	Intercompany Loans Amounts received by a company from any other company.
7.	Share Application Money Share subscription or share application money received for securities, pending allotment. If not allotted within 60 days, treated as deposit if not refunded within 15 days.
8.	Loan from Director Any amount received from a person who was a director of the company or a relative of the director of a private company at the time of receipt. Disclosures by Director and Company: a. The director shall provide a written declaration stating that the amount is not sourced from borrowed funds, loans, or deposits from others. b. The company shall disclose details of the money received in the Board's report.
9.	Bonds and Debentures Amounts raised through: a. Secured debentures or bonds (with a charge on assets excluding intangible assets). b. Convertible debentures (converted into shares within 10 years). c. Non-convertible securities listed on a recognised stock exchange.
10.	Security Deposit from Employees Amount received from employees not exceeding their annual salary in the form of a non-interest-bearing security deposit.
11.	Amounts from Trust Any non-interest-bearing amount received or held in trust.
12.	Advances for Commercial Transactions a. Business Advances ✓ Advance for Goods or Services: An advance received for the supply of goods or provision of services shall be adjusted within 365 days from the date of acceptance. Note: If the advance is involved in legal proceedings, the 365-day limit does not apply. ✓ Advance for Immovable Property: An advance received as consideration for an immovable property shall be adjusted as per the agreement or arrangement. ✓ Security Deposit for Goods or Services: A deposit received as security for fulfilling a contract related to goods or services. ✓ Advance for Long-Term Projects: An advance received for long-term projects involving supply of capital goods. ✓ Advance for AMC Contracts: An advance paid for future services like warranties or maintenance contracts, provided the service period does not exceed five years or the standard business practice, whichever is shorter. ✓ Sectoral Permitted Advances: Advances approved by sectoral regulators or in line with government directions. ✓ Advance for Subscriptions: An advance for publication subscriptions (print or electronic), to be adjusted against the publication delivery. b. Refund and Deemed Deposit

	If the amounts received under (1), (2), or (4) become refundable due to the company lacking necessary permissions or approvals, the amount will be treated as a deposit under the rules. If the refund is not made within 15 days of becoming due, the amount will be considered a deemed deposit, and interest will be payable.
13.	Loan from Promoter Amounts brought in by promoters or his relatives as unsecured loans due to stipulations of lending institutions. Exempt until financial institution loans are repaid.
14.	Nidhi Company Amount accepted by a Nidhi company u/s 406 of the Companies Act.
15.	Chit Fund Companies Amount received by chit fund companies under the Chit Fund Act, 1982.
16.	Collective Investment Scheme (Mutual Funds) Amounts received under any collective investment scheme in compliance with SEBI regulations.
17.	Startups Amount of ₹ 25 lakh or more received as a convertible note from a person in a single tranche. Clarified that the amount is convertible into equity shares or repayable within 10 years.
18.	REIT/ IFIT Amount received from Alternate Investment Funds, Venture Capital Funds, INFRAstructure Investment Trusts, Real Estate Investment Trusts, and Mutual Funds in compliance with SEBI regulations.

3. Depositor

	Content
1.	A depositor refers to: a. Any member of a company who has made a deposit as per Section 73(2) of the Act. b. Any person who has made a deposit with a public company u/s 76 of the Act.
2.	a. A depositor may be a member or a non-member of the company. b. A depositor is anyone who has deposited money with the company, whether or not they are a member.

4. Prohibitive Provision for Acceptance of Public Deposits

	Content
1.	Prohibitive Provision (Sec. 73(1)) No company can accept or renew deposits from the public unless it follows the procedure provided under Chapter V of the Companies Act, 2013.
2.	Exempted Companies (Proviso to Sec. 73(1)) The prohibition on accepting or renewing deposits from the public does not apply to the following types of companies: a. Banking companies b. NBFC as defined in the Reserve Bank of India Act, 1934 c. HFC registered with the National Housing Bank under the National Housing Bank Act, 1987 d. Any other company specified by the CG after consulting with the RBI.

5. Provisions Relating to Acceptance of Deposits From Members

	Content
1.	Passing of a Resolution A company shall pass an ordinary resolution in a general meeting to accept deposits from its members. [Sec 73(2)]
2.	Issuance of Circular Containing Statement (Section 73(2)(a)) a. A company must issue a circular to its members, including: ✓ Financial position of the company. ✓ Credit rating obtained. ✓ Total number of depositors and amount due on previous deposits. ✓ Other prescribed details in the required format. b. Mode of Circulation (Rule 4) ✓ The circular must be sent to all members via: ▪ Registered post (with acknowledgment due) or Speed post ▪ Electronic mode ✓ It must be published in: ▪ An English newspaper (widely circulated in the state). ▪ A vernacular newspaper (widely circulated in the state). c. Auditor's Certificate (Form DPT-1) ✓ A statutory auditor's certificate must be attached, confirming no default in deposit repayment or interest payment. ✓ If the company had defaulted, the certificate must state that: ▪ The default was rectified. ▪ 5 years have passed since rectification. d. Authority & Validity ✓ The circular must be authorized and issued in the name of the Board of Directors. ✓ It remains valid until the earliest of the following: ▪ 6 months from the financial year's closure. ▪ The date when financial statements are presented at the AGM (or the last date an AGM should have been held). ✓ A new circular must be issued each financial year for inviting deposits.
3.	Filing of Circular with ROC The company must file a copy of the circular with the ROC within 30 days before issuance.
4.	Deposit Repayment Reserve Account (DRRA) Company must deposit at least 20% of maturing deposits for the next year in a separate bank account by 30th April each year.
5.	Certification of No Default a. The company must certify that it has not defaulted in: ✓ Repayment of deposits (accepted before or after the commencement of the Act). ✓ Payment of interest on such deposits. b. If a default had occurred, the company must confirm that: ✓ The default has been rectified. ✓ 5 years have passed since the rectification.
6.	Provision of Security a. Secured deposits require a charge on assets. b. Unsecured deposits must be clearly stated in the circular.

7.	Relaxation for Private Companies a. The requirements for issuing a circular, filing it with the ROC, depositing a certain amount, and certifying no default do not apply to a private company if it: ✓ Accepts money from its members not exceeding 100% of the aggregate of its PUSC+FR+SP; or ✓ Is a start-up, for 5 years from its incorporation; or ✓ Meets all of the following conditions: ▪ Is not an associate or subsidiary of any other company. ▪ Its borrowings from banks, financial institutions, or any corporate body are less than 2 * PUSC or ₹50 crore, whichever is lower. ▪ It has not defaulted on repayment of such borrowings at the time of accepting deposits. b. However, companies falling above must file details of the money accepted with the ROC in Form DPT-3.
8.	Repayment of Deposit a. Every deposit must be repaid with interest according to the terms and conditions. b. If the company fails to repay a deposit, the depositor can approach NCLT for an order to recover the amount.
9.	Use of DRRA Funds in the Deposit Repayment Reserve Account shall only be used for deposit repayment.
10.	Tenure of Deposits a. Minimum tenure: 6 months b. Maximum tenure: 36 months c. Exception: 3-month ($\leq$ 10%*(PUSC+FR+SP)).
11.	Maximum Amount from Members a. 35% of total PUSC + FR + SP can be accepted from members. b. Private/IFSC companies can accept up to 100%. c. Exceptions: ✓ A private company that is a start-up, for 10 years from its incorporation. ✓ A private company that meets all of the following conditions: ▪ It is not an associate or subsidiary of any other company. ▪ Its borrowings from banks, financial institutions, or corporate bodies are less than 2*PUSC or ₹50 crore, whichever is less. ▪ It has not defaulted on the repayment of such borrowings at the time of accepting deposits u/s 73. Note: However, companies falling above must file details of the money accepted with the ROC in Form DPT-3.
12.	Trustee a. Provisions regarding trustee for depositors apply for public deposits. b. The trustee shall call a meeting of depositors if requested by at least 1/10th of depositors or if a default occurs.

13.	Special Points a. The company must not exceed the maximum interest rate set by RBI for NBFCs. b. The intending depositor must submit an application stating the deposit is not made from borrowed money. c. Deposits can be accepted in joint names (max 3 persons) with specific clauses like "Jointly" or "Either or Survivor". d. A depositor can nominate a person for the deposit in case of their death. e. A receipt must be provided within 21 days of deposit or renewal. It should include: - Date, name, amount, interest rate, and maturity date. f. Premature repayment follows the same provisions as public deposit acceptance. g. DPT-3 must be filed by 30th June each year to report deposits accepted. h. The company cannot change deposit terms after acceptance if it is detrimental to the depositor's interests. i. Public companies must disclose money received from directors in the financial statements. Private companies must disclose money from directors or relatives. j. If a company fails to repay deposits, it must pay 18% penal interest p.a.
14.	Punishment for Contravention Penalties for violations of deposit rules: a. Fine up to ₹5,000 b. Additional fine of ₹500/day for continuing contravention.

6. Eligible Public Companies

	Content
1.	Eligible Company A public company with: a. Net Worth ≥ Rs. 100 crores, or b. Turnover ≥ Rs. 500 crores.
2.	Special Resolution a. Company must obtain prior consent through a special resolution passed in a general meeting. b. However, an 'eligible company', which is accepting deposits within the limits specified u/s 180 (1) (c), may accept deposits by means of an ordinary resolution. (i.e., Proposed Deposits + Existing Debts ≤ PUC + Reserves and Surplus)
3.	Filing Requirement The special resolution must be filed with the Registrar of Companies.

7. Acceptance of deposits from public (Sec. 76)

	Content
1.	Obtaining Credit Rating a. Obtain rating (including net worth, liquidity, and ability to pay deposits on due date) from a recognized credit rating agency. b. Inform the public of the rating when inviting deposits. c. Renew rating annually and file with RoC in Form DPT-3. d. Rating must be at least investment grade or other specified credit rating.
2.	Charge Creation on Assets a. Create a charge on tangible assets within 30 days of acceptance of deposits.

	b. Total value of Security should not be less than deposit amount and interest payable. c. Company cannot create charge on intangible assets (e.g., goodwill). d. Market value of assets subject to charge shall be assessed by a registered valuer. e. The security shall be created in favour of a trustee for the depositors on specific movable and immovable property of the company.
3.	Tenure for Deposits Deposits cannot: a. Be repayable on demand. b. Have tenure less than 6 months or more than 36 months. Exception: Short-term funds (<6 months) allowed if: a. 10% Ceiling: Deposits ≤10% of PUSC + FR + SP. b. Minimum Tenure: Repayable after 3 months.
4.	a. The company must appoint one or more trustees to create security for deposits. b. Written consent from the trustees is required before appointment. c. The advertisement must clearly state that the trustees have consented to their appointment. d. A Deposit Trust Deed (Form DPT-2) must be executed at least seven days before issuing the circular or advertisement. e. Restrictions on Trustee Appointment f. A person or company cannot be appointed as a trustee if they: (a) Are a director, key managerial personnel, officer, employee, or depositor in the company, its holding, subsidiary, or associate company. (b) Owe money to the company or its related entities. (c) Have a significant financial relationship with the company. (d) Have given a guarantee for the principal deposit or interest. (e) Are related to any person mentioned in (a). g. Removal of Trustees A trustee cannot be removed after issuing the circular/advertisement and before their term ends unless all directors present at a Board meeting approve the removal. If the company has independent directors, at least one independent director must be present at the meeting.
5.	Trustee to Call Depositors' Meeting Trustees must call a meeting if: a. 1/10th of depositors (by value) request it. b. Default or any event affecting depositors' interests occurs.
6.	Maximum Amount of Deposits a. Non-Govt Company: ✓ From Members: ≤10% of PUSC + FR + SP. ✓ From Others: ≤25%. b. Govt Company: Deposits ≤35% of PUSC + FR + SP.
7.	Issuance of Circular/Advertisement a. Issue circular in Form DPT-1. b. Advertise in English and vernacular newspapers with wide circulation. c. Upload circular on company's website. d. File circular with RoC 30 days prior to issue. e. Circular validity: 6 months after FY closure or AGM Actual date or AGM due date (if AGM not held) whichever is earlier.

8.	Deposit Repayment Reserve Account (DRRA) a. Deposit 20% of maturing deposits by 30th April in a scheduled bank. b. Maintain at least 20% of maturing deposits throughout the FY.
9.	Rate of Interest and Brokerage a. Interest and brokerage must not exceed RBI's prescribed rates for NBFCs. b. Brokerage only paid to authorized agents who procure deposits.
10.	Special Points b. Depositor must submit a declaration that deposit funds are not borrowed. c. Deposits can be accepted in joint names (max 3) with clauses like "Jointly", "Either or Survivor", etc. d. Depositors may nominate a person to receive deposits in case of death. e. Issue deposit receipt within 21 days of Receipt of money/cheque realization/renewal. Details on deposit receipt: Date, depositor name, address, amount, interest rate, and maturity date. f. If premature repayment occurs: ✓ 1% interest reduction (if requested after 6 months). ✓ Exclusions: Rule 3 compliance or war-risk benefits. g. File audited return of deposits annually by 30th June with RoC, containing deposit details as of 31st March. h. Disclose director contributions in financial statements. i. Failure to repay deposits results in 18% penal interest p.a. for overdue period. j. Terms and conditions cannot be changed to the detriment of depositors after deposits are accepted.
11.	Register of Deposits Every company accepting deposits must maintain separate registers for deposits accepted or renewed at its registered office. a. The following details must be recorded for each depositor: ✓ Name, address, and PAN of the depositor(s). ✓ Guardian's details, in case of a minor. ✓ Nominee details. ✓ Deposit receipt number. ✓ Date and amount of each deposit. ✓ Duration of the deposit and repayment date. ✓ Interest rate payable. ✓ Due date for interest payment. ✓ Instructions for payment of interest and TDS deduction, if any. ✓ Interest payment dates. ✓ Security or charge details for repayment. ✓ Any other relevant particulars. b. Entries must be made within 7 days of issuing the deposit receipt, authenticated by a director, CS, or an authorized officer. c. The register must be preserved for at least 8 years from the FY in which the last entry was made.
12.	Punishment for Contravention Company and Every officer-in-default shall be punishable with fine of up to Rs.5,000, and Rs.500/day for continuing contraventions.

8. Repayment of Deposits accepted before Commencement Act

	Content
1.	Filing Statement of Deposits and Repayment For deposits accepted before 1-4-2014 and unpaid as of that date or becoming due thereafter. a. File a statement of deposits with the RoC within 3 months. b. Repay deposits within 3 years from 1-4-2014 or earlier, based on the original terms. Notes a. If deposits and interest are repaid on due dates without default, point (b) is deemed complied with. b. Renewal of such deposits must follow Chapter V provisions and related rules.
2.	Tribunal's Power to Extend Repayment Time A company may apply to the Tribunal for an extension of repayment time based on: a. Financial condition of the company. b. Amount of deposit and interest payable. c. Any other relevant factors.
3.	Punishment for Non-Repayment If a company fails to repay within the specified or extended time then a. Company shall shall be liable to fine minimum ₹ 1 crore and maximum ₹ 10 crore. b. Officer-in-default: ✓ Imprisonment: Up to 7 years. ✓ Fine: ₹ 25 lakh to ₹ 2 crore, ✓ both.
4.	CG's Power If any question arises about the applicability of these rules to a company, the CG, in consultation with the RBI, shall decide.

9. Punishment for Contravention of Provisions of Sec 73 To 76

	Content
1.	Punishment for the Company If a company contravenes Sec 73, Sec 76, or associated rules by: a. Accepting or inviting deposits in violation of prescribed conditions, or b. Failing to repay deposits or interest within the specified time: Punishment: Minimum ₹ 1 crore or 2 * deposit amount (whichever is lower), Maximum ₹ 10 crore.
2.	Punishment for Officer-in-Default Any officer-in-default shall face: a. Imprisonment: Up to 7 years. b. Fine: Minimum ₹ 25 lakh, up to ₹ 2 crore.
3.	Wilful Default (Sec 447) If an officer-in-default knowingly or wilful contravenes the provisions with the intent to deceive the company, its shareholders, depositors, creditors, or tax authorities then punishment u/s 447.

6. REGISTRATION OF CHARGES

1. Charge and Types of Charges

	Content
1.	Definition As per Sec 2(16), a charge is: a. An interest or lien. b. Created on the property or assets of a company or its undertakings (or both) as security. c. Includes a mortgage.
2.	Types of Charge a. Fixed Charge ✓ Charge on specific assets of a company (e.g., land, buildings, machinery). ✓ These assets are identified during charge creation and cannot be sold without permission of the charge-holder. ✓ Charge created via mortgage or deposit of title deeds. ✓ The charge is vacated upon full repayment of borrowed money. b. Floating Charge ✓ Charge on fluctuating assets like raw materials, stock-in-trade, and debtors. ✓ Charge applies to both present and future assets. ✓ Charge allows the company to deal with assets in the ordinary course of business. ✓ Charge created via hypothecation or lien. ✓ Floating Charge becomes fixed (crystallised) when the creditor enforces security or the company goes into liquidation.
3.	Crystallisation of Floating Charge When a creditor enforces the security due to a breach of terms of a floating charge or if the company goes into liquidation, the floating charge converts into a fixed charge on all assets available at that time. This process is called crystallization of a floating charge. a. A floating charge remains inactive until it crystallizes into a fixed charge. Once crystallized, the security becomes fixed and can be realized to repay the borrowed money. b. Crystallization occurs when: ✓ The terms of the floating charge are violated ✓ The company stops operations ✓ The company goes into liquidation ✓ Creditors enforce the security covered by the floating charge

2. Duty of company to register Charges.

	Content
1.	a. Duty of the Company: ✓ It is the duty of every company creating a charge to register particulars of charge created on its property, assets, or undertakings (tangible or non-tangible), whether located in or outside India. ✓ Even a charge created by deposit of title deeds shall be registered. b. Registration by Charge Holder (Section 78) If a company fails to register the charge within 30 days, the person in whose favour the charge is created (i.e., charge-holder) can register the charge. c. Registration by Purchaser (Section 79) If a company purchases a property with an existing charge, the purchasing company shall register the charge in its name with the RoC.
2.	The particulars of charge in CHG-1, along with a copy of the instrument (if any) creating the charge, duly signed by the company and the charge holder, shall be filed with the ROC within 30 days of creation of Charge, along with the prescribed fee.
3.	Verification of Instrument of Charge a. Property Situated Outside India: If the instrument or deed relates only to property outside India, the copy must be verified by a certificate issued: ✓ Under the company's seal (if any), or ✓ Signed by a director, CS, or an authorized officer of the charge holder, or ✓ Signed by any other person interested in the mortgage or charge, but not the company. b. Property Situated in India: If the instrument or deed relates to property in India (wholly or partly), the copy must be verified by a certificate signed by: ✓ A Director. ✓ Company Secretary. ✓ Authorized officer of the charge-holder. Note a. Form CHG-1, CHG-4, CHG-8, CHG-9 must be signed by Insolvency Resolution Professional, Resolution Professional, or Liquidator for companies under resolution or liquidation. b. Verification by a person outside the company applies only to property outside India.
4.	Registration Time Limit (Before 02-11-2018) a. Not Registered Within 30 Days: Registrar may allow registration within 300 days from charge creation. b. Not Registered Within 300 Days: Registration allowed within 6 months from 02-11-2018 with prescribed additional fees.

5.	Registration Time Limit (On or After 02-11-2018) a. Not Registered Within 30 Days: ROC may allow registration within 60 days (additional 30 days) with additional fees. b. Not Registered Within 60 Days: ROC may allow further 60 days upon payment of ad valorem fees.
6.	Procedure for Extension a. To seek a time extension, the company shall apply to the ROC. b. This application shall include a declaration from the company, signed by its CS/ director, stating that the belated filing will not affect the rights of any intervening creditors. c. The ROC will grant the extension only if satisfied that the company had valid reasons for not filing the particulars and the instrument of charge, if any, within the initial 30-day period. d. Further, the additional fee or Ad valorem fee, as applicable, shall be paid.
7.	a. Certificate of Registration: Upon registration of a charge, the company and the charge holder (if applicable) will receive a Certificate of Registration in Form CHG-2. b. Conclusive Evidence: The certificate issued by the ROC serves as conclusive evidence that all legal requirements under Chapter VI of the Act and related rules for charge registration have been fulfilled.
8.	Subsequent Registration a. Any charge registered within the extended period (beyond the original 30 days) will not affect any rights acquired over the property before the charge was actually registered. b. Registration is merely a legal formality, meaning the concept of the charge remains valid despite late registration. c. However, failure to register may prevent the creditor from gaining legal priority or advantage.
9.	Consequences of Non-Registration a. Unregistered charges are not considered by the liquidator or creditors. b. Non-registration of charge shall not negate the contract or repayment obligation. c. Charge-holder loses priority to other creditors with earlier registration.
10.	Exemptions (Sec 77) Sec 77 does not apply to charges prescribed in consultation with the RBI. Ex: Charges created by banking companies under Section 17(4)(d) of the RBI Act, 1934.

3. Registration of Charge by a Charge Holder

	Content
1.	Charge Registration by Charge-Holder If a company fails to register a charge created on its property within the prescribed period of 30 days, the charge-holder may apply to the ROC for registration along with the instrument of charge in the prescribed time, form, and manner.
2.	Registrar's Notice to Company

	a. Upon receiving the application from the charge-holder, the ROC will issue a notice to the company. b. If no objection is raised, the ROC will allow registration within 14 days after issuing the notice, subject to payment of the prescribed fees.
3.	Company Objection The ROC will not permit registration by the charge-holder if the company: a. Registers the charge itself. b. Provides sufficient cause why charge should not be registered.
4.	Recovery of Fees If registration is made based on the charge-holder's application, the charge-holder is entitled to recover from the company the fees or additional fees paid to the ROC for the registration of the charge.

4. Company Acquiring A Property Already Subject to Charge

	Content
1.	Acquisition of Property with Existing Charge If a property with an existing registered charge is sold with the charge holder's consent, the company acquiring the property shall ensure the charge is registered as per Sec 77.
2.	Requirement to Register New Charge The earlier charge should be vacated, and a new charge shall be registered by the acquiring company.

5. Modification of Charge (Sec 79)

	Content
1.	Any modification in charge to be registered by the company in accordance with Sec 77.
2.	Modification includes: a. Any Variation in the terms and conditions of the agreement, including rate of interest (by mutual agreement or law). b. Variation in the extent or operation of any charge. c. Assignment of the charge holder's rights to a third party is also considered a modification.
3.	Certificate of Modification Once modification is registered u/s 79, the ROC issues a certificate of modification in Form CHG-3.
4.	Certificate – Conclusive Evidence The certificate issued by the ROC is conclusive evidence that the requirements of Chapter VI of the Act and rules have been met.

6. Deemed Notice of Charge (Sec 80)

	Content
1.	When a charge on a company's property, assets, or undertakings is registered u/s 77, any person acquiring those assets or shares is deemed to have notice of the charge from the date of registration.
2.	Charges registered with the ROC are public documents. Anyone who wishes to lend money or buy property can check the MCA Portal to see if there's a charge on the asset.
3.	A document filed with the ROC serves as Constructive Notice, meaning deemed knowledge. Even if the third party does not refer to the document, they are deemed to know about it.
4.	The person acquiring the property or asset is deemed to have notice of the charge from the registration date.
5.	If a person enters into a transaction without enquiry and later suffers loss because of the charge, they cannot claim against the company. This is because they are deemed to have notice of the charge.
6.	Compulsory registration of charges prevents a company from offering the same asset as security to multiple lenders fraudulently.

7. Reporting of Satisfaction of Charge (Sec 82)

	Content
1.	Time Line A company shall give intimation of payment or satisfaction of a registered charge to the ROC in CHG-4 within 30 days from the date of payment or satisfaction. Note: For IFSC Pvt Ltd and IFSC Pub Ltd, this period is 300 days with additional fees.
2.	Extended Period of Intimation The Registrar may allow such intimation within 300 days on the application of the company or charge holder, with additional fees.
3.	Notice to Charge Holder by ROC a. Upon receiving the intimation, the ROC shall send a notice to the charge holder, asking them to show cause within 14 days why payment or satisfaction in full should not be recorded. b. If no cause is shown by the charge-holder, the ROC will enter a memorandum of satisfaction in the register of charges and inform the company. c. No notice is required if the CHG-4 is signed by the charge holder. d. If the charge-holder shows cause, the ROC shall record the note in the register of charges and inform the company.
4.	Effect of Section 82 Sec 82 does not affect the powers of the ROC u/s 83, regardless of whether the intimation is received by the ROC.
5.	Issue of certificate of satisfaction:

	In case the ROC enters a memorandum of satisfaction of charge in full, he shall issue a certificate of registration of satisfaction of charge in Form No. CHG-5.

8. Registers of charges maintained by Company and ROC

	Content
1.	Register of Charges by Registrar (Sec 81) a. ROC shall maintain a register of charges for every company in the prescribed form and manner. b. The MCA portal (www.mca.gov.in/MCA21) is deemed to be the official register of charges for this purpose. c. The ROC shall be open for inspection by any person upon payment of the prescribed fee.
2.	Register of Charges by Company (Sec 85) a. Every company shall maintain a Register of Charges in Form CHG-7 at its registered office. b. The register shall include all charges and floating charges affecting any company property, assets, or undertakings, along with the prescribed particulars. c. A copy of the instrument creating the charge must also be kept at the registered office along with the Register of Charges. d. The company shall record in the register: ✓ All charges registered with the Registrar on its property, assets, or undertakings. ✓ Details of any property acquired subject to a charge. ✓ Any modification or satisfaction of a charge. e. Entries in the registers shall be made immediately after the creation, modification, or satisfaction of a charge. f. Entries in the registers shall be authenticated by: ✓ Director or CS, or ✓ Any Board-authorized person.
3.	Inspection of Register & Instrument The register of charges and the instrument of charges shall be open for inspection during business hours to: a. Members or creditors (free of charge). b. Other persons (on payment of prescribed fees). Subject to reasonable restrictions imposed by the company's AOA.
4.	Preservation of Register The register of charges shall be preserved permanently.
5.	Instruments Preserved for 8 years from the date of charge satisfaction.

9. Powers of ROC to Make Entries of Satisfaction [Sec 83]

	Content
1.	The Registrar is empowered to make entries about satisfaction or release of charges even without intimation from the company.
2.	Applicable Situations a. Property subject to a charge is sold to a third party. b. Neither the company nor the charge-holder intimates satisfaction of the earlier charge.
3.	Registrar's Actions Based on evidence, the ROC can enter a memorandum of satisfaction in the register of charges, indicating that: a. Debt has been satisfied wholly or partially. b. Part of the property/undertaking has been released from the charge. c. Property has ceased to form part of the company's assets.
4.	Non applicability of Sec 82 a. Sec 82(4) clarifies that Sec 82 does not restrict Registrar's powers u/s 83. b. The ROC can act even without receiving intimation from the company.
5.	Information to Affected Parties The Registrar must inform affected parties within 30 days of making an entry in the register of charges.
6.	Issue of Certificate Upon entering a full memorandum of satisfaction, the ROC shall issue a Certificate of Registration of Satisfaction of Charge in Form CHG-5.

10. Intimation of Appointment of Receiver or Manager u/s 84

	Content
1.	Notice to Company and ROC: a. If a person obtains a court order for the appointment of a receiver or a manager for property subject to a charge, or b. If a person appoints such a receiver or manager under a power granted in any instrument, c. They shall give notice to the company and the ROC within 30 days of the order or appointment. The notice shall include a copy of the order or instrument.
2.	ROC Duty On payment of prescribed fees, the ROC shall register the particulars of the receiver, person, or instrument in the register of charges.
3.	Cessation of Appointment a. Upon cessation of the appointment, the person appointed shall give notice to the company and ROC using Form CHG-6. b. The Registrar shall register the cessation notice.

11. Punishment of contravention of this chapter

	Content
1.	Punishment for Contravention (Sec. 86(1)) If a company defaults in complying with any provisions of this Chapter: a. Company: Penalty of ₹5 lakh. b. Every officer in default: Penalty of ₹50,000.
2.	Punishment for Fraud (Sec. 86(2)) a. If any person wilfully furnishes: ✓ False or incorrect information, or ✓ Knowingly suppresses material information required to be registered u/s 77: b. He shall be liable for action u/s 447.

12. Rectification by CG in register of charges [Sec. 87]

	Content
1.	Authority CG (Now RD) can order rectification of the Register of Charges.
2.	Cases of Default a. No intimation given to the ROC regarding payment or satisfaction of charge within the specified time. b. Omission or misstatement in filings related to: ✓ Any charge or its modification. ✓ Memorandum of satisfaction or entries u/s 82 (Report satisfaction of charge) or u/s 83 (Registrar's power to enter satisfaction and release).
3.	Conditions for Rectification The CG shall be satisfied that the default was: a. Accidental, due to inadvertence, or caused by other sufficient reasons. b. Did not prejudice creditors or shareholders.
4.	Application Form Form CHG-8 shall be filed by the company or an interested person.
5.	Terms and Conditions The CG can impose terms and conditions it considers appropriate when ordering rectification.
6.	Rule 12 of the Companies (Registration of Charges) Rules, 2014 The CG may, based on an application in Form CHG-8: a. Rectify omission or misstatement in any prior filing with the ROC. b. Extend time for satisfaction of charge (if the filing was not made within 300 days of payment/satisfaction).

7. MANAGEMENT AND ADMINISTRATION

1. Register of Members (Sec 88)

	Content
1.	Register of Members Every Company shall maintain a register of members, debenture-holders, and other security holders.
2.	Maintenance of Register a. A register of members shall be maintained, clearly recording the holdings of each class of equity and preference shares. b. Additionally, the register should separately indicate the shareholding of members residing in India and those residing outside India.
3.	Time Period for Entries Entries shall be made within 7 days after approval by the Board or its committee for allotment, transfer of shares, debentures, or securities.
4.	Place of Maintenance The registers shall be maintained at the company's registered office unless a SR is passed in a general meeting. This resolution may authorize keeping the register at: a. Any other location within the same city, town, or village as the registered office, or b. Any place in India where more than 1/10th of the total registered members reside.
5.	Other Information in the Register a. If any judicial, revenue, SEBI, or other competent authority issues an order attaching shares, debentures, or other securities and directs the remittance of dividends or interest, a reference to such an order shall be recorded in the relevant register. b. In companies with listed securities, any pledge, charge, lien, or hypothecation created by promoters on their securities, including details of the pledgee/pawnee and any revocation, shall be recorded in the register within 15 days of the event. c. If the promoters of a listed company have pledged, hypothecated, or created a charge or lien on any securities of the company in connection with a joint venture, the details shall be entered in the register within 15 days of the event.
6.	Particulars in Register a. In case of company limited by shares, Register of members shall be maintained in form MGT-1 b. In case of company not having share capital, Register shall contain particulars: ✓ member's name, address, email, PAN or CIN, Nationality, ✓ Guardian's details for minors, ✓ Date of becoming a member, ✓ Date of cessation ✓ Amount of guarantee, ✓ Any other interest, and ✓ Instructions by the members (Ex: Sending of Notices)
7.	Register of Debenture Holders A separate register for debenture holders or security holders shall be maintained in Form MGT-2.
8.	Updating Member Status

	Changes in a member's status due to death, insolvency, name change, etc., shall be updated in the respective registers.
9.	Index of Names (Sec 88(2)) Every register shall have an index of names, unless the number of members is less than 50.
10.	Register of Beneficial Owners The register and index maintained by a depository under the Depositories Act, 1996 are treated as the corresponding register for purposes of this Act.
11.	Penalty for Non-Compliance A penalty of ₹3 lakh for the company and ₹50,000 for officers who fail to maintain registers as required u/s 88(1) & (2).
12.	Nature of Offence The offence under this section is compoundable u/s 441 of the Act.
13.	Details of Nominations (Sec 72) Form MGT-1 and MGT-2 require nominee details to be entered as per Sec 72 and Rule 19 of the Companies (Share Capital and Debentures) Rules, 2014.
14.	Authentication of Entries (Rule 8) Entries in registers shall be authenticated by the CS or a person authorized by the Board, mentioning the date of the board resolution.

2. Foreign Register

Foreign Register of Members, Debenture Holders, or Security Holders	
1.	A company with share capital or issued debentures or securities may, if authorized by its articles, maintain a Foreign Register in a country outside India. This register records details of members, debenture holders, security holders, or beneficial owners residing in that country.
2.	a. ROC Filing: ✓ The company shall file Form No. MGT-3 (along with fees) with the RoC within 30 days of opening the Foreign Register, stating its location. ✓ If the register's situation changes or is discontinued, the company shall file Form No. MGT-3 within 30 days of such change. b. Part of the Principal Register: The Foreign Register is considered a part of the company's Principal Register of members, debenture holders, or security holders. c. Format Consistency: The Foreign Register shall be maintained in the same format as the Principal Register. d. Inspection & Closure: ✓ The Foreign Register shall be open for inspection and may be closed in the same way as the Principal Register. ✓ Before closing, an advertisement shall be published in at least 2 newspapers circulated in the location where the register is kept. e. Rectification Authority: If the Foreign Register is maintained outside India, the decision of competent authority of that country is binding on any rectifications. f. Entry Approval: Entries in the Foreign Register (allotment or transfer of shares, debentures, or securities) can only be made after approval by the BOD or its authorized committee. g. Transmission & Duplication:

	✓ The company shall transmit a copy of every entry in the Foreign Register to its registered office in India within 15 days of making the entry. ✓ A duplicate register, regularly updated, shall be kept at the registered office in India as part of the Principal Register. ✓ Transactions related to securities in a Foreign Register cannot be registered in any other register during the continuance of such foreign register.
3.	Discontinuation of Foreign Register: The company may discontinue the Foreign Register at any time. When discontinued, all entries must be transferred to: a. Another Foreign Register maintained by the company outside India, or b. The Principal Register in India.

3. Declaration of beneficial interest.

	Content
1.	a. Declaration by Registered Holder of Shares A person whose name is entered in the register as the registered owner shall file a declaration in Form MGT-4 within 30 days. b. Declaration by Person Holding Beneficial Interest in Shares A Person holding beneficial interest shall file Form MGT-5 within 30 days after acquiring the interest. Note: A declaration shall be filed within 30 days if there is a change in beneficial interest in the shares. c. Filing of Return by the Company with the Registrar The company shall file a return in Form MGT-6 within 30 days from date of receipt of declaration.
2.	Designation of Responsible Person for Furnishing Information Every company shall appoint a designated person responsible for providing information to the ROC or any authorized officer regarding the beneficial interest in shares. a. Who Can Be Designated? The company may designate: ✓ CS, if required under the Act and its rules. ✓ A KMP other than the CS. ✓ Every Director, if there is no CS or KMP. b. Deemed Designated Persons (Until Officially Designated) If no one is formally designated, the following shall be deemed responsible: ✓ CS, if the Act requires one. ✓ The MD or Manager, if there is no CS. ✓ Every Director, if there is no CS, MD, or Manager. c. Reporting in Annual Return Every company shall include details of the designated person in its Annual Return. d. Change in Designated Person If the company appoints a new designated person, it shall inform the Registrar by filing e-form GNL-2.
3.	Consequence of Non-Filing of Declaration If the declaration is not filed, the beneficial owner cannot enforce any rights with respect to those shares.
4.	Exemption:

	a. Trusts set up for Mutual Fund, Venture Capital Fund, or funds approved by SEBI do not need to file declarations. b. The CG may exempt certain persons or classes from complying with Sec 89 under public interest, subject to specified conditions. c. Government companies are exempted from Sec 89, provided they comply with filing requirements for FS and annual return.
5.	Duty of Company to Pay Dividend Not Affected The obligation of a company to pay dividends is not affected by the provisions of this section.
6.	Meaning of Beneficial Interest Beneficial interest refers to person's right or entitlement, either directly or indirectly, through any contract, arrangement, or otherwise, to: a. Exercise rights attached to the share, either alone or with others. b. Receive dividends or participate in any distribution related to the share.
7.	Penalty for Default a. Failure to file declarations leads to a penalty of Rs.50,000 (Rs. 200/day for continuing failure, up to Rs.5,00,000). b. If the company fails to file the return, the company and officers may face a penalty of Rs. 1000/day (up to Rs.5,00,000 for the company and Rs.2,00,000 for officers).

4. Declaration in respect of Significant beneficial interest in any share.

	Content
1.	Register of Significant Beneficial Owners Every Significant Beneficial Owner shall disclose the nature of their interest to the company within the prescribed time, and the company shall report it to the ROC. This is governed by the SBO Rules, 2018.
2.	Definition of SBO Any individual who, alone or with others, or through one or more persons or trusts (including those outside India), holds: a. At least 25% beneficial interest in a company's shares (or any other prescribed percentage), OR b. The right to exercise or actually exercises significant influence or control over the company.
3.	Amendment Rules, 2019 The SBO is now defined as someone who: a. Holds indirectly, or together with any direct holdings not less than 10% of the shares/voting rights in the company, b. Has right to receive/participate in not less than 10% of the total distributable dividends or any other distribution in a FY through indirect holdings alone, or together with any direct holdings, c. Has significant influence or control, either directly or indirectly.
4.	Note a. Significant Influence: means the power to participate, directly or indirectly, in the financial and operating policy decisions of the reporting company but is not control or joint control of those policies. b. Majority Stake:

	✓ Holding more than 1/2 of equity share capital or voting rights or. ✓ Having the right to receive or participate in more than 1/2 of the distributable dividend or any other distribution by the body corporate c. Direct/Indirect Shareholding: An individual will not be considered a SBO if they hold rights or entitlements directly in the company. ✓ Direct Holding Criteria: An individual is considered to hold rights directly in a company if: ▪ The shares are registered in their name. ▪ They hold or acquire a beneficial interest in shares u/s 89(2) and have made the required declaration. ✓ Indirect Holding An individual's shareholding is indirect if the shares are held through Body Corporate, HUF, Partnership, Trust, Pooled Investment Vehicle
5.	Duty of the Reporting Company a. The company is responsible for identifying SBOs and ensuring they file a declaration. b. A notice (Form BEN-4) shall be sent to any person suspected of being an SBO or having knowledge of one.
6.	Maintenance of Register The company shall maintain a register of SBOs (Form BEN-3), open for inspection by members for a fee, not exceeding ₹50 per inspection.
7.	Application to Tribunal a. If an individual fails to provide the information within 30 days of notice or the information is unsatisfactory, the company shall apply to the Tribunal within 15 days of expiry of period specified in notice. b. The Tribunal may restrict rights attached to shares within 60 days of receiving an application, after giving all concerned parties an opportunity of being heard. c. If a company or an aggrieved person wants to lift or relax these restrictions, they shall apply to the Tribunal within one year from the order date. d. If no such application is made within one year, the shares will be transferred without restrictions to the IEPF authority.
8.	Declaration by SBO a. Existing SBOs: shall file Form BEN-1 within 90 days of the commencement of the Amendment Rules. b. New SBOs: ✓ New SBO shall file within 30 days of becoming an SBO. ✓ If an individual becomes a SBO or their ownership changes within 90 days of the commencement of the Companies (SBO) Amendment Rules, 2019, it will be considered effective on the 90th day from the commencement date. The 30-day period for filing the declaration will be counted from that date.
9.	Non-Applicability The following entities are exempt from the requirements of Significant Beneficial Ownership (SBO) disclosure: a. Investor Education and Protection Fund (IEPF) Authority b. Holding companies that comply with Sec 90, and have reported details in Form BEN-2 c. CG, SG, or local authorities d. Entities/bodies corporate controlled (wholly or partly) by the CG or SG(s)

	e. Investment vehicles registered with and regulated by SEBI, such as Mutual Funds, Alternative Investment Funds (AIFs), Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InVITs) f. Investment vehicles regulated by RBI, Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA)
10.	Contravention a. SBO: If he fails to make declaration, he shall be liable to a penalty of ₹50,000 & 1,000 per day during continuing failure up to a maximum of ₹2,00,000. b. Company: If a company fails to maintain the required register, file the necessary information, take required actions, allow inspection of the register, the penalties are as follows: ✓ Company: ₹1,00,000 & ₹500/day for continued failure, up to a maximum of ₹5,00,000. ✓ For Defaulting Officers: ₹25,000 & ₹200/day for continued failure, up to a maximum of ₹1,00,000.
11.	a. Compoundable Offense: Violations of Sec 90 and the SBO Rules by the company or its officers can be compounded, meaning they may settle the offense by paying a penalty instead of facing prosecution. b. Fraudulent Actions (Sec 447): If an SBO or an Officer in Default intentionally provides false or incorrect information, or suppresses any material facts, they will be liable for fraud u/s 447, which carries severe penalties, including imprisonment and fines.
12.	Exemption For Government Companies The SBO rules do not apply to government companies, provided they have filed financial statements and annual returns as per the regulations.

5. Power to close register of members or debenture-holders or other security holders.

	Content
1.	Time limits for closure [section 91(1)] a. A company must give at least 7 days' notice (or a shorter period as specified by SEBI) before closing the register. b. The register can be closed for a maximum of 30 days at a time. c. The total period for closure should not exceed 45 days in a year.
2.	Penalty for non-compliance [section 91(2)] a. If the company fails to give the prescribed notice, or exceeds the time limits, company & its officers are liable to a penalty of ₹5,000 per day, with a maximum fine of ₹1,00,000. b. The offence is compoundable u/s 441.
3.	Notice requirements a. A company must provide at least 7 days' prior notice when closing the register. b. If the company is listed, it must publish the notice in: ✓ A vernacular newspaper (in the principal language of the district). ✓ An English newspaper circulating in the district. c. The notice must be published on the company's website.
4.	Exemption For Private Companies Private companies are exempt from publishing public notices in newspapers. However, they must issue a 7-day notice to their members before closing the registers.

6. Annual Return

	Content
1.	Annual Return Filing a. Every company (except OPC and Small Company) must file the annual return in Form MGT-7. b. OPC and Small Company must file the annual return in Form MGT-7A (FY 2020-2021 onwards).
2.	Contents of annual return [section 92(1)] The annual return must include details on: a. Registered office, principal business activities, and information about holding, subsidiary, and associate companies. b. Shares, debentures, and shareholding pattern. c. Members and debenture-holders with changes. d. Promoters, directors, and KMP with changes. e. Meetings (members, board, committees), attendance. f. Remuneration of directors and KMP. g. Penalty or punishment imposed on the company and its officers. h. Compliance certifications and disclosures. i. Details on shares held by Foreign Institutional Investors (FII). j. Any other prescribed matters.
3.	Signing of Annual Return a. The annual return must be signed by a director and the CS (or by a CS in practice if no CS). b. For OPC and small companies, the return should be signed by the CS (or director if no CS).
4.	Certification [sec 92(2) and rule 11(2)] a. Annual return must be certified by a CS in practice for: ✓ Listed companies, ✓ Companies with PUSC of ₹10 crore or more, ✓ Companies with turnover of ₹50 crore or more. b. The certificate must confirm that the return is accurate and compliant with the Act, in Form MGT-8.
5.	Website Disclosure a. Companies must place a copy of the annual return on their website (if applicable). b. The web-link to the return must be disclosed in the Board's report.
6.	RoC Filing Deadline a. The annual return must be filed with the ROC within 60 days from the AGM. b. If no AGM is held, the return must be filed within 60 days from the due date for holding the AGM, with reasons for not holding the AGM.
7.	Penalty a. Penalty on Company and Officers If a company fails to file the annual return the company and every officer in default will face a penalty of ₹10,000 & ₹100 per day for continuing failure up to ₹2,00,000 for the company, and ₹50,000 for the officer in default.

	b. Penalty for CS If a CS in practice certifies the annual return incorrectly (not according to the Act and rules), the penalty is ₹2,00,000.

7. Place of keeping and Inspection of registers, returns, etc.

	Content
1.	Place of Maintenance of Registers a. Registers required u/s 88 and annual returns u/s 92 shall be kept at the registered office of the company. b. Registers or copies can also be kept at another location in India if approved by a SR and if more than 1/10th of the members reside there.
2.	Inspection a. Registers and indices must be open for inspection during business hours by: ✓ Members, debenture holders, security holders (free of charge) ✓ Other persons (on payment of a fee not exceeding ₹50 per inspection). b. Inspection shall be available for at least 2 hours on every working day.
3.	Extracts and Copies a. Members, debenture holders, or security holders can take extracts from registers without fee or copies on payment of ₹10 per page. b. Copies or extracts must be provided within 7 days after payment. c. Certain details such as address, email ID, Unique ID, and PAN will not be available for inspection or copies.
4.	Preservation of registers and returns a. Register of members shall be preserved permanently and kept in the custody of CS or authorized person. b. Register of debenture holders/other securities shall be preserved for 8 years from the redemption date. c. Copies of documents filed with ROC shall be preserved for 8 years. d. Foreign register must be preserved permanently unless discontinued and transferred.
5.	Penalty for refusing inspection or copies a. If a company refuses inspection or making extracts, it and its officers are liable for a penalty of ₹1,000 per day, up to a maximum of ₹1,00,000. b. CG can direct immediate inspection or allow extracts to be taken.
6.	Registers to be Evidence [Sec 95] Registers, indices, and copies of annual returns will serve as prima facie evidence of the matters recorded under the Act.

8. Notice of a Meeting

	Content
1.	Notice of a Meeting a. 21 clear days' notice is required for general meetings, excluding the date of sending and the meeting date. b. Notice must be given via writing, electronic mode, or prescribed mode to ✓ all members, ✓ legal representatives of deceased members, ✓ assignees of insolvent members, ✓ auditors, and directors.

2.	SPECIAL CASES a. Specified IFSC Public Company: Sec 101 applies unless articles state otherwise. b. Sec 8 Companies: a. General meetings can be called with 14 clear days notice. b. Exceptions apply if the company has no defaults in filing FS (Sec 137) or annual returns (Sec 92).
3.	Accidental Omission a. Omission or non-receipt of notice does not invalidate the meeting. b. The company must prove the omission was accidental. Example: If notice was sent via email and failed to transmit beyond the company's control, the company is not liable (Rule 18(3)).
4.	Meetings Held at Shorter Notice a. GM can be called after giving shorter notice with the consent of members (in writing or electronic mode): ✓ AGM: at least 95% of members entitled to vote. ✓ Other than AGM: ▪ For companies with share capital: Majority of members holding at least 95% of PUSC that gives right to vote at the meeting. ▪ For companies without share capital: members having at least 95% of total voting power. b. If a member has voting rights only on specific resolutions at a meeting (and not on others), they will be counted only for those resolutions where they are entitled to vote. They will not be considered for resolutions where they have no voting rights.
5.	Contents of Notice The notice shall include the day, date, time, place, and the business agenda.
6.	Authority to Call GM a. Board approval is required to call a GM (AGM/EGM). b. Individual directors cannot call a GM unless ratified by the Board.
7.	Mode of Sending Notice a. Notices can be sent via email (text, attachment, or link). b. Subject line shall include company name, meeting type, date, and place. c. Notices shall also be placed on the company's website and any government-notified website. d. Emails shall be sent via secure programs, maintaining transmission records. e. Email failure beyond the company's control absolves liability. f. The e-mail shall be sent to the person entitled to receive it, as per the company's records provided by the depository. g. The company must also give members an opportunity at least once in a FY to register or update their email address. This request can only be made by members who have not registered their email or need to update it, not by those whose email is already recorded.
8.	Notice via Post If a GM notice is sent by post, it will be considered served 48 hours after the letter is posted.

9. Explanatory Statement of a Meeting

	Content
1.	Explanatory Statement [Sec 102] Required for special business in a general meeting. Must include: a. Nature of concern/interest (financial or otherwise) of: c. Directors and Manager, KMP d. Relatives of the above. b. Other information to help members understand the meaning, scope, and implications of the business.
2.	Ordinary Business and Special Business a. Ordinary Business: Only at AGMs and includes: a. Approval of Financial Statements and reports of BOD & Auditors. b. Dividend Declaration. c. Appointment of Directors in the place those retiring. d. Appointment & fixation of remuneration of Auditors. b. Special Business: Any other business at AGMs; all business at EGMs. c. Explanatory Statement not required for Ordinary Business.
3.	Additional Disclosure for Special Business a. If it affects another company, disclose extent of shareholding (2% or more of PUSC) of promoters, directors, managers, or KMPs. b. Mention time and place for inspecting documents related to the item of business.
4.	Effect of Non-Disclosure [Sec 102(4)] a. If a promoter, director, manager, KMP, or their relatives gain any benefit due to non-disclosure or insufficient disclosure in the explanatory statement, they must hold that benefit in trust for the company. b. They shall also be liable to compensate the company for the benefit received, in addition to any other legal action under this Act or any other law.
5.	Penalty for Contravention [Sec 102(5)] If provisions are violated defaulting promoter, director, manager, or KMP liable for a penalty of ₹50,000 or 5 times the benefit received (whichever is higher).
6.	Special Case: Specified IFSC Public Company Section 102 applies unless the company's articles specify otherwise.

10. Quorum Of A Meeting

	Content
1.	Quorum for Meetings (Sec 103) Quorum means the minimum number of members required for a valid meeting. a. Private Company: 2 members personally present b. Public Company: ✓ Up to 1000 members: 5 members personally present ✓ 1001-5000 members: 15 members personally present ✓ More than 5000 members: 30 members personally present Note: "Members personally present" refers to members entitled to vote on the meeting agenda.
2.	Adjourned Meeting Due to Want of Quorum a. If quorum not present within 30 minutes of the scheduled time:

	✓ Meeting adjourned to the same day, time, and place in the next week (or as determined by the Board). ✓ Meetings if called by Requisitionists u/s 100 stands cancelled. b. If a meeting is adjourned or there is a change in the day, time, or place of the meeting, ✓ The company must provide at least 3 days' notice to the members. ✓ This can be done either individually or by publishing an advertisement in newspapers one in English and one in the local language circulating in the area where the company's registered office is located. c. If quorum still not present at the adjourned meeting, members present shall form the quorum.
3.	Representation of President & Governors (Section 112) a. The President of India or the Governor of a State, if they are a member of a company, can appoint a representative to attend meetings on their behalf. b. Such appointed person will have the same rights and powers as the President or Governor, including voting rights through proxy and postal ballot.
4.	Representation of Corporations (Section 113) a. If a body corporate is a member or creditor (including a debenture holder) of a company, it may authorize a representative to attend meetings on its behalf. b. Such representative will have the same rights and powers as the body corporate, including the right to vote by proxy and postal ballot.
5.	Special Points a. IFSC Public Company: Section 103 applies unless specified otherwise in the AOA. b. Secretarial Standard - 2 Prescriptions: ✓ Quorum must be present at meeting commencement and during business transactions. ✓ Members using remote e-voting are counted for quorum if attended. ✓ Related party members present (but not voting) are counted in quorum. ✓ Quorum rules do not apply to postal ballot transactions. Related Party Definition: ✓ Director/ KMP or their relative. ✓ A firm where a director/manager or relative is a partner. ✓ Private Company with a director/manager/relative as member/director. ✓ Public Company where director/manager and relatives hold >2% paid-up share capital. ✓ Body Corporate acting as per director/manager instructions (except professional advice). ✓ Holding, subsidiary, or associate company; subsidiaries of the same holding company; or investing company. Exemptions for private companies: this clause doesn't apply for Sec 188. ✓ Such other person as may be prescribed.

11. Chairman in the Meetings

	Content
1.	Election of Chairman by Members a. Election by Show of Hands: Members personally present shall elect a Chairman by show of hands, unless the articles state otherwise. b. Poll Demand: If a poll is demanded, the Chairman elected by show of hands remains in position until another person is elected via poll.
2.	Powers of Chairman

	a. The Chairman manages the meeting, maintains decorum, ensures proper conduct, and executes the minutes post-meeting. b. The chairman has authority to decide all questions arising during the meeting, with strict impartiality.
3.	Right to Casting Vote a. The Chairman has a casting vote in Board and General Meetings if the company's AOA specifically allow it. b. A casting vote means that if there is equality of vote on any matter being decided, the Chairman can cast a second vote to break the deadlock. c. If the AOA do not provide for a casting vote, an OR on which there is equality of votes is deemed to be dropped.
4.	Special Cases a. Private Company: ✓ Section 104 applies unless the AOA or respective sections specify otherwise. ✓ Exceptions apply if the private company has no default in filing financial statements (Sec 137) or annual returns (Sec 92) with the ROC. b. IFSC Public Company: Sec 104 applies unless the articles specify otherwise.

12. Appointment of Proxy

	Content
1.	Right to Appoint Proxy a. Members entitled to attend and vote at a meeting can appoint another person as a proxy to act on their behalf. b. IFSC Public Company: Sec 105 applies unless otherwise specified in the AOA.
2.	Proxy Rights Proxy shall not have right to speak at the meeting and can only vote on a poll.
3.	Companies Exempted a. Appointment of proxies does not apply to companies without share capital unless the AOA states otherwise. b. CG can prescribe companies whose members cannot appoint proxies.
4.	Sec 8 Companies Members of Section 8 companies can only appoint a proxy who is also a member of the company.
5.	Proxy Limitations a. A proxy can represent up to 50 members and hold a maximum of 10% of voting share capital. b. Members holding more than 10% of total share capital carrying voting rights can appoint one proxy, but that person cannot act as a proxy for others.
6.	Proxy Instrument a. The instrument appointing a proxy shall be used Form No. MGT. 11. b. Proxy instrument shall be signed by the appointer or their authorized attorney. c. For corporate members, the instrument should be under the seal or signed by an officer or attorney. d. AOA cannot impose additional requirements for executing proxies.

7.	Disclosure in Meeting Notice a. Every notice calling a meeting of a ✓ company with share capital or ✓ where proxy voting is allowed shall clearly state that a member who has the right to attend and vote can appoint one or more proxies to do so on their behalf. b. Notice shall also mention that a proxy need not be a member of the company. c. Contravention: ₹5,000 penalty for non-compliance with proxy disclosures in notices.
8.	Validity of Proxy Proxies submitted 48 hours before the meeting are valid, even if AOA require a longer notice period.
9.	Inspection of Proxies a. Every member with voting rights at a company meeting or on any resolution can inspect the lodged proxies during business hours, starting 24 hours before the commencement of meeting and until it concludes. b. However, they must give at least 3 days' written notice of their intention to inspect.
10.	Penalties for Default If a company issues proxy appointment invitations at its expense, specifying one or more persons as proxies for a meeting, any officer responsible for issuing, authorizing, or permitting such invitations shall be liable to a penalty of ₹50,000. Exception: No penalty if proxy forms or lists are provided on member request and made available to all eligible members.

13. Restrictions on Voting Rights of the Members in Meetings

	Content
1.	a. The Articles of Association may restrict a member from exercising voting rights if: ✓ Any amount is due from the member on calls or other sums payable to the company, or ✓ The company has exercised its right of lien over the shares. b. A company cannot prohibit voting rights on any grounds other than those mentioned above.
2.	In a poll at a meeting, a member with more than one vote does not have to Use all votes or cast all votes the same way.
3.	Restriction on Signing Requisition A member who is restricted from voting cannot sign a requisition for an EGM. a. If the AoA has no provision restricting voting, a member cannot be prevented from voting, even if Calls or sums are unpaid, or the company has a lien over shares. b. If shares are forfeited and re-allotted, the new allottee cannot vote until all calls on shares are paid.
4.	Voting by Joint Shareholders Joint shareholders must agree on voting unless AoA provides otherwise. Voting order is based on the order of names in the register of shareholders, with seniority determining voting rights.
5.	Voting by Directors who are Shareholders Directors who are shareholders must vote like any other common shareholder, without being influenced by their role as directors.

6.	Voting Rights of Preference Shareholders Preference shareholders can only vote on resolutions related to their rights.
7.	Modes of Voting Shareholders can cast their votes through: a. Voting by show of hands (Sec 107) b. Voting by electronic means (Sec 108) c. Voting by demand of poll (Sec 109) d. Voting by Postal Ballot (Sec 110)

14. Provisions of Companies Act, 2013 Regarding Conduct of Voting Under Show Of Hands

Voting by Show of Hands (Sec 107)	
1.	a. Voting is usually done by show of hands unless Voting is demanded by poll or electronic means. b. The Chairman's declaration in the minutes book is conclusive evidence that the resolution is passed.
2.	An insolvent shareholder can still vote by show of hands if: a. He remains in the company's register as a member, even if he has no beneficial interest in the shares. b. The dividends are paid to his trustee in bankruptcy, not to him directly.

15. E-Voting means

Voting Through Electronic Means (Section 108)	
1.	E-voting allows members of certain companies to vote electronically on resolutions at general meetings.
2.	Applicability of E-voting: a. E-voting applies to general meetings for which notices are issued after the commencement of this rule. b. Companies required to provide e-voting: ✓ Every Company which has listed its equity shares on a recognised stock exchange, and ✓ Every Company with 1,000 or more members.
3.	Exceptions: E-voting is not required for: a. A Nidhi company, or b. Enterprises or institutional investors as per SEBI (Issue of Capital and Disclosure Requirements) Regulations.
4.	Note 2: Cut-off Date Cut-off date is set as a date not earlier than 7 days before the general meeting to determine voting eligibility. Note 3: Electronic Voting System E-voting system involves a secure, system-based process to: a. Display electronic ballots, b. Record votes and count the number of votes for and against, c. Store the voting results in a centralised server with cyber security. Note 4: Cyber Security Cyber security protects information and systems from unauthorised access, disruption, or destruction. Note 5: Remote E-Voting

	Remote e-voting allows members to vote electronically from anywhere, outside the meeting venue. Note 6: Voting Types Voting by electronic means includes both: a. Remote e-voting (before the meeting), and b. E-voting at the meeting using the same system. Note 7: Secured System A secured system ensures: a. Protection from unauthorised access, b. Reliability and correct operation, c. Suited to the intended functions, and d. Adheres to accepted security procedures.

16. Procedure for conducting e-voting.

	Content
1.	A member may exercise the right to vote via electronic means on resolutions, and the company must pass the resolutions as per this rule.
2.	Companies offering e-voting must follow the procedure outlined below. a. Notice of Meeting The notice must be sent to all members, directors, and auditors by one of these methods: ✓ Registered post, speed post, or courier service ✓ Electronic means (e-mail) b. The notice must also be placed on the company's website and the agency's website immediately after sending to members. c. Notice Content: ✓ The notice must include: ▪ The facility for voting by electronic means. ▪ The availability of voting by ballot/polling at the meeting. ▪ Members who voted by remote e-voting cannot vote again at the meeting. ✓ The notice must specify: ▪ Process for voting electronically, and time schedule. ▪ Login ID, password details, and secure voting process. d. E-Voting Time The remote e-voting facility will remain open for at least 3 days, closing at 5:00 PM on the day before the meeting. e. Option for Remote E-Voting Members holding shares on the cut-off date can opt for remote e-voting. ✓ Votes cannot be changed after being cast. ✓ Members can attend the meeting but cannot vote again if they voted remotely. f. E-Voting Blocked After the e-voting period ends, the voting facility will be blocked.
3.	Publication of Notice: a. The company must publish a public notice as an advertisement immediately after sending meeting notices but at least 21 days before the general meeting. This notice should appear:

	✓ At least once in a vernacular newspaper (in the district's principal language) with wide circulation where the registered office is located. ✓ At least once in an English newspaper with nationwide circulation. b. The advertisement must include: ✓ A statement that the business can be transacted through electronic voting. ✓ Start date and time of remote e-voting. ✓ End date and time of remote e-voting. ✓ The cut-off date for eligibility (not earlier than 7 days before the general meeting to determine voting eligibility). ✓ Instructions for shareholders who acquired shares after notice dispatch to obtain login credentials. ✓ A statement that: ▪ Remote e-voting won't be allowed after the deadline. ▪ The company will provide a voting option at the meeting. ▪ A member can attend the meeting after remote e-voting but cannot vote again. ▪ Only those listed as members/beneficial owners on the cut-off date can use remote e-voting and vote at the meeting. ✓ Company's website address and the agency's website displaying the meeting notice. ✓ Contact details (name, designation, address, email, phone) of the person handling e-voting grievances. Note: The public notice must also be available on the company's and the agency's websites.
4.	Scrutinizer a. The Board of Directors shall appoint one or more scrutinizers to oversee the voting and remote e-voting process fairly and transparently. The scrutinizer can be: ✓ A CA, CMA, or CS in practice or An Advocate. ✓ Any other reputable person who is not an employee of the company and is considered capable by the Board. b. The scrutinizer may seek assistance from a non-employee expert familiar with the electronic voting system.
5.	Role of Chairman The Chairman allows voting at the meeting for members who haven't voted remotely, with the help of the scrutinizer.
6.	Counting of Votes a. The scrutinizer shall, immediately after the voting concludes at the general meeting: ✓ First, count the votes cast at the meeting. ✓ Then, unblock the remote e-voting results in the presence of at least 2 independent witnesses (not employees of the company). ✓ Within 3 days, prepare a consolidated scrutinizer's report detailing the total votes in favor or against and submit it to the Chairman or an authorized person, who shall countersign it. b. The Chairman or the authorized person shall declare the voting results immediately. c. The way members voted (for or against) shall remain confidential and will not be accessible to the Chairman, Scrutinizer, or any other person until the votes are officially cast at the meeting.
7.	Access to Voting Details

	The scrutinizer can access details about members who voted remotely to ensure they don't vote again.
8.	Register a. The scrutinizer maintains a register of votes, including member details and voting information. b. The scrutinizer safeguards the register and all related voting documents until the Chairman signs the minutes.
9.	Results on Websites The results are posted on the company's and agency's websites, and forwarded to the stock exchange (applicable to listed Company).
10.	Passing of Resolution The resolution is deemed passed when the required votes are received at the general meeting.
11.	Resolution Cannot Be Withdrawn A resolution for e-voting cannot be withdrawn once proposed.

17. Poll.

	Content
1.	Demand for Poll (Sec 109) a. Before or at the time of declaring the result of voting by a show of hands, the Chairman may conduct a poll: ✓ On his own, or ✓ Upon demand by specified members. b. Who Can Demand a Poll? ✓ For Companies with Share Capital: Members present in person or by proxy (if allowed). ▪ shall hold at least 1/10th of the total voting power, or ▪ shall hold shares with a paid-up value of ₹5,00,000 (or a higher amount, if prescribed). ✓ For Other Companies (without share capital): Any member(s) present in person or by proxy (if allowed) shall hold at least 1/10th of the total voting power.
2.	Withdrawal of Demand for Poll The demand for poll can be withdrawn at any time by those who made the demand.
3.	Time Limit for Conducting Poll The poll must be conducted within: a. Immediately for adjournment of the meeting or appointment of Chairman. b. Not later than 48 hours from the demand for any other question, as directed by the Chairman.
4.	Appointment of Scrutinizer The Chairman appoints a scrutinizer to oversee the polling process and report the votes.
5.	Duties of Scrutinizer The scrutinizer's duties include: a. Ensuring proper conduct of the poll process. b. Maintaining accurate records of the poll. c. Submitting a report to the Chairman with details of votes for and against the resolution. d. Ensuring compliance with Sec 109 and Rule 21.

18. Procedure for Conducting Voting Under Poll.

	Content
1.	Powers of Chairperson The Chairman regulates how the poll will be conducted and appoints the necessary scrutinizers.
2.	Procedure for Conducting Poll (Rule 21) The Chairman ensures the following procedures for conducting the poll: a. Chairman's Responsibilities Chairman ensures: ✓ Scrutinizers are provided with Register of Members, Attendance Register, Proxies, and relevant documents. ✓ Scrutinizers are given all documents as per sections 105, 112, and 113. ✓ Polling papers are arranged and distributed to members and proxies. For joint holders, the first named holder gets the paper. ✓ Scrutinizers record polling papers received by initialing them. ✓ Scrutinizers seal and lock the empty polling box in the presence of members and proxies. ✓ Scrutinizers open the polling box in the presence of 2 witnesses after voting. ✓ If there's ambiguity about the validity of a proxy, scrutinizers decide in consultation with the Chairman. ✓ If a proxy and the member both vote, the proxy's vote will be disregarded. ✓ Scrutinizers count votes and prepare a report to the Chairman. ✓ For electronic voting, the company supports scrutinizers in voting and counting. ✓ The scrutinizer's report includes total votes cast, valid votes, and votes in favor/against, including invalid votes. ✓ Scrutinizers submit the report to the Chairman, who countersigns it. ✓ The Chairman declares the result of the poll, either personally or through an authorized person. b. Scrutinizers submit a report in Form MGT.13 within 7 days from the date of the poll. c. The result of the poll is deemed to be the decision of the meeting on the resolution.
3.	Exemption: Applicability of Sections 101 to 107 and 109 to Private Companies a. These sections apply unless specified otherwise or in the AOA of the company. b. Private companies that have filed FS and annual return are exempt from some provisions.

19. Applicability of voting under postal ballot under companies act, 2013.

	Content
1.	Postal Ballot means voting by post or through electronic mode. [Sec 2(65)]
2.	A company: a. Must transact specific business items declared by the CG via postal ballot only. b. May transact other business items (except ordinary business or items requiring director/auditor hearing) via postal ballot. Note Items mandated for postal ballot under (a) may also be transacted at a general meeting if electronic voting is available.
3.	A resolution approved by requisite majority via postal ballot is deemed as passed at a general meeting.

4.	a. Items mandated for postal ballot may be transacted at a general meeting if electronic voting (Sec 108) is provided. b. OPC and companies with up to 200 members are exempt from postal ballot requirements.

Items Mandated for Postal Ballot

Sr. No.	Business Item	Relevant Section
1.	Alteration of objects clause of memorandum (existing companies: alteration of main objects).	Sec 13
2.	Alteration of articles of association (e.g., inclusion/removal of provisions for private company).	Sec 2(68)
3.	Change in registered office location beyond local limits.	Sec 12(5)
4.	Change in objects of raised funds (unutilized public funds).	Sec 13(8)
5.	Issue of shares with differential voting/dividend rights.	Sec 43(a)(ii)
6.	Variation in rights of shares/debentures.	Sec 48
7.	Buy-back of shares.	Sec 68(1)
8.	Election of a director by small shareholders.	Sec 151
9.	Sale of whole/substantial undertaking.	Sec 180(1)(a)
10.	Providing loans, guarantees, or securities exceeding prescribed limits.	Sec 186(3)

Postal Ballot Voting and Counting	
1.	Voting Rights A member's voting rights are proportional to their share in the paid-up capital.
2.	Types of Ballots a. Assent ballots b. Dissent ballots c. Partial votes (e.g., partially assenting, partially dissenting, or not using all shares for voting). d. Invalid ballots (e.g., signature issues, overwriting).
3.	Resolution Approval Resolution is deemed passed if assents exceed dissents.

20. Procedure for conducting voting under postal ballot.

Content	
1.	Notice to Shareholders Company sends a notice to all shareholders along with a draft resolution and reason for the postal ballot. Shareholders must send their assent or dissent in writing within 30 days from dispatch.
2.	Mode of Sending Notice The notice can be sent via: a. Registered Post or Speed Post b. Electronic means (e.g., registered e-mail) c. Courier service
3.	Advertisement An advertisement must be published in:

	a. Vernacular newspaper (in the language of the district where the company's registered office is located) b. English newspaper (with wide circulation in the district) The advertisement must include: a. Statement about voting by postal ballot (including electronic voting) b. Date of dispatch and commencement of voting c. End date for voting d. Any postal ballot received beyond the due date is invalid e. Contact details for grievances
4.	Notice on Company Website The postal ballot notice shall be uploaded on the company's website immediately after dispatch. It will remain there until the last date for receipt of votes.
5.	Scrutinizer a. Board shall appoint Scrutinizer (not in employment of the company) to oversee the postal ballot process. b. The scrutinizer shall be willing to be appointed and available for determining the majority. c. The scrutinizer keeps all postal ballots safe and cannot deface, destroy, or disclose the shareholder's identity after receiving the vote. d. The scrutinizer submits the report within 7 days of receiving the last postal ballot. e. The scrutinizer maintains a register (manual/electronic) to record: ✓ Shareholder's details (name, address, folio number, shares held, voting rights) ✓ Invalid ballots (e.g., defaced, mismatched signatures) f. The scrutinizer keeps all postal ballots and related papers safe until the Chairman approves and signs the minutes. Then, the scrutinizer returns the materials to the company for safe preservation. g. Any postal ballot received after 30 days from the notice date is considered as not received.
6.	Results are declared by posting them on the company's website, along with the scrutinizer's report.
7.	The provisions of Rule 20 for electronic voting apply mutatis mutandis to postal ballot voting.

21. Circulation of Members' Resolution And Statements

Content	
1.	Prerequisites of a Valid Requisition A valid requisition must meet the following conditions: a. Written & Signed: ✓ For companies with share capital: Members holding at least 1/10th of the PUSC with voting rights. ✓ For companies without share capital: Members holding at least 1/10th of the total voting power with voting rights. b. Two or more copies may contain signatures of all requisitionists. c. Time Limit for Deposit: ✓ For resolutions requiring notice: It must be deposited at least 6 weeks before the meeting. ✓ For other resolutions: It must be deposited at least 2 weeks before the meeting.

	d. A sum reasonably sufficient to meet the company's expenses in giving effect to proposing the resolution is deposited or tendered. When the money is tendered, no payment is made but an unconditional offer is made to pay money. Note: a. The time period mentioned above does not apply if an AGM is scheduled within 6 weeks after the copy is deposited. b. In such cases, the requisition copy is considered properly deposited, even if not submitted within the required time. c. However, the company is not obligated to circulate the resolution notice if the necessary prerequisites are not met.
2.	Notice to Members The company shall: a. Give notice to members about any resolution intended to be moved at the meeting on the requisition of the required number of members. b. Provide a statement to members regarding the matters related to the proposed resolution or business of the meeting.
3.	Exceptions from Circulating a Statement The company does not have to circulate a statement if the CG (through the RD) declares that the requisition is being misused for unnecessary publicity of defamatory content.
4.	Order to Bear the Cost The order may also require the requisitionists to reimburse the company's costs, even if they are not part of the application.
5.	Default in Compliance If the company or any officer fails to comply with the provisions of this section, they are liable to a penalty of Rs. 25,000.

22. Special Resolution v/s Ordinary Resolution

	Content
1.	Resolution a. A resolution is the formal decision of an organization taken at a meeting. b. A motion, once approved by a required majority vote, becomes a resolution, binding on the organization.
2.	Motion Vs Resolution a. Motion: A proposal presented for consideration (e.g., approval/disapproval, action, or discussion). b. Resolution: The adoption of a motion that has been proposed, seconded, and approved. Note: Not all motions lead to resolutions (e.g., motions for adjournment).
3.	Resolution Types a. Ordinary Resolution: ✓ Passed by simple majority. ✓ Votes cast in favour (via show of hands, electronically, or by poll) exceed votes cast against. b. Special Resolution: ✓ The notice for the general meeting or any other communication to members must clearly state the intention to propose the resolution as a special resolution. ✓ Proper notice given under the Act. ✓ Votes cast in favor are at least 3 times the votes cast against.

23. Provisions of Companies Act, 2013 Regarding Resolutions Requiring Special Notice

	Content
1.	Applicability When special notice is required by Act or AOA, it must be given by members holding at least 1% of total voting power or holding PUSC of 5,00,000 rupees (as prescribed).
2.	Cases requiring Special Notice Special Notice is Required for: a. Appointment of auditors other than the retiring auditor at the AGM. b. Resolution at AGM to prevent re-appointment of the retiring auditor. c. Removal of a director before the end of their term. d. Appointment of a new director in place of the removed director. e. AOA may specify additional matters requiring special notice.
3.	Requirements for Special Notice: a. The notice must be signed by members holding at least 1% voting power or PUSC of 5,00,000 rupees. b. Notice shall be sent to the company not earlier than 3 months and at least 14 days before the meeting. The day of notice and the day of the meeting are excluded. c. After receiving the notice, the company shall inform its members about the resolution at least 7 days before the meeting, excluding the day of dispatch and the meeting day, in the same way as general meeting notices. d. If it's not possible to give notice in the same manner, it must be published in: ✓ English newspaper and vernacular newspaper in the area of the company's registered office. ✓ Published at least 7 days before the meeting, excluding the day of publication and the meeting day. ✓ Also posted on the company's website (if applicable).

24. Resolutions passed at adjourned meeting

	Content
1.	a. If a resolution is passed at an adjourned meeting of the company, the holders of any class of shares, or the Board of Directors, b. it is considered passed on the actual date of the adjourned meeting, not on any earlier date.

25. Resolutions passed at adjourned meeting

	Content
1.	Resolutions and Agreements to be Filed a. Special Resolutions b. Resolutions agreed to by all members but which would only be effective if passed as special resolutions. c. Board resolutions or agreements relating to the appointment, reappointment, or renewal of a MD or variation in terms of appointment. d. Resolutions or agreements approved by a specific class of members, which would not be effective without such approval unless passed by a specified majority or in a particular manner. Additionally, all resolutions or agreements that bind the class of members, even if not agreed to by every member. e. Resolutions for a voluntary winding-up of the company u/s 59 of the IBC, 2016.

	f. Resolutions passed u/s 179(3).
2.	Penalty for Contravention a. Company: Penalty of ₹10,000, with an additional ₹100 per day for continuing failure, up to a maximum of ₹2,00,000. b. Officer(s) (including liquidator, if any): Penalty of ₹10,000, with an additional ₹100 per day for continuing failure, up to a maximum of ₹50,000. Note 1 a. No person may inspect or obtain copies of such resolutions under Section 399. b. Exemption for resolutions related to loans, guarantees, or securities u/s 179(3)(f) by certain entities such as: ✓ Banking companies ✓ Non-banking financial companies (under the Reserve Bank of India Act, 1934) ✓ Housing finance companies (under the National Housing Bank Act, 1987) c. Any other resolutions/agreements prescribed to be placed in the public domain. d. For Specified IFSC Companies, the filing time limit with the ROC is 60 days.

26. Minutes of the Meetings

	Content
1.	a. Time Limit ✓ Every Company shall prepare, sign and keep Minutes of: ▪ General meetings of shareholders or creditors (including requisitionists meetings). ▪ Resolutions passed by postal ballot. ▪ Board meetings and committee meetings. ✓ within 30 days of the meeting or resolution in books with consecutively numbered pages. ✓ Specified IFSC companies: Minutes of Board or committee meetings must be signed at or before the next meeting. b. Contents of Minutes ✓ Minutes should contain a fair and correct summary of the proceedings of the meeting. ✓ Include all appointments made at the meetings. ✓ For Board meetings or committee meetings, include: ▪ Names of directors present. ▪ Names of directors dissenting or not concurring with any resolution. ✓ Exclusions from minutes: The following matters shall not be included in the meeting minutes if the Chairman considers them: ▪ Defamatory content. ▪ Irrelevant or immaterial content. ▪ Detrimental to company interests. Note: The Chairman has absolute discretion in deciding what to include or exclude from the minutes. c. Legal Presumptions ✓ Minutes are evidence of the proceedings. ✓ Valid meeting and resolutions are presumed unless proven otherwise. ✓ Appointments of directors, auditors, key managerial personnel, etc., are deemed valid. d. Prohibition on Circulating Reports

	No document claiming to report the proceedings of a general meeting shall be circulated or advertised at the company's expense unless it includes the matters required by this section to be recorded in the meeting minutes. e. Secretarial Standards ✓ Secretarial Standards for general and Board meetings must be followed, as specified by the ICSI and approved by the CG. ✓ This is not applicable to Specified IFSC Public/Private Companies. f. Penalty for Non-Compliance: ✓ Company: ₹25,000. ✓ Officer(s) in default: ₹5,000. ✓ Tampering with minutes: Imprisonment (up to 2 years) and fine between ₹25,000 and ₹1,00,000.
2.	Rule 25 - Procedure for Maintenance of Minutes a. Maintain a distinct minute book for: ✓ General meetings. ✓ Meetings of creditors. ✓ Board meetings. ✓ Committee meetings. b. Minutes to be entered within 30 days of the meeting. c. For postal ballot resolutions, enter a brief report including: ✓ Resolution proposed. ✓ Voting result. ✓ Scrutinizer's report. d. Each page should be signed/initialled and the last page dated and signed by: ✓ Board/Committee meeting minutes: Signed by the Chairman of the meeting or next meeting. ✓ General meeting minutes: Signed by the Chairman of the meeting or a director authorized by the Board. ✓ Postal ballot resolutions: Signed by Chairman of the Board or authorized director. e. Minute books of general meetings should be kept at the registered office and preserved permanently. f. Minute books of Board/committee meetings: Kept at the registered office or another location decided by the Board.
3.	Exemption for Sec 8 Companies a. Sec 118 does not apply to Sec 8 Companies except that minutes must be recorded within 30 days of the meeting conclusion, especially if the AOA provide for confirmation by circulation. b. Exemptions apply if the company has not defaulted in filing financial statements u/s 137 or Annual Return u/s 92.

27. Inspection of Minutes of The Meetings

Content	
1.	a. The minutes of the proceedings of any general meeting shall: ✓ Be kept at the company's registered office. ✓ Be open for inspection by any member during business hours, free of charge, subject to reasonable restrictions in the AOA or set by the general meeting. Note: A minimum of 2 hours per business day must be allowed for inspection.

	b. Any member can request a copy of the minutes within 7 working days by paying a prescribed fee.
2.	Penalty for refusal of inspection: a. Company: ₹25,000 for refusal or delay. b. Officer in default: ₹5,000 for each refusal or failure to provide the minutes.
3.	Power of Tribunal If the company refuses or defaults in providing the inspection, the Tribunal can order immediate inspection of the minute-books or require the copy to be sent to the requesting person.
4.	Rule 26 – Copy of Minute Book of General Meeting a. Any member can request a copy of minutes of any general meeting within 7 working days on payment of a fee. b. Fee: Not exceeding ₹10 per page (as per the company's articles). c. A member requesting a soft copy of minutes from meetings held within the last 3 financial years is entitled to receive it free of charge.

28. Maintenance of Minutes in Electronic Form

Maintenance and Inspection of Documents in Electronic Form	
1.	Storage and Inspection Any document, record, register, or minutes required to be kept, inspected, or copied under this Act may be maintained in electronic form, as per Rules 27, 28, and 29 of the Companies (Management and Administration) Rules, 2014.
2.	Applicability Listed companies or Companies with at least 1000 shareholders, debenture-holders, or other security holders may maintain their records in electronic form as required by the Act or rules.
3.	Responsibility The MD, CS, or any director/officer designated by the Board shall be responsible for the maintenance and security of electronic records.
4.	Inspection and Copies a. Electronic records shall be available for inspection. b. Copies of these records shall be provided upon payment (max Rs. 10 per page) and must be a clear reproduction of the original.
5.	Transition from Physical to Electronic Mode Existing companies must convert records from physical to electronic mode within 6 months of the notification of Sec 120 of the Act.
6.	Standards for Electronic Records Records must: a. Follow the same formats as prescribed in the Act and rules. b. Be accurately recorded for future reference. c. Be readable, retrievable, and printable. d. Be digitally signed and dated, wherever required. e. Not be altered or edited after being digitally signed. f. Be updated as per the Act, with the date of updating recorded Note: The term "records" includes any register, index, agreement, MOA, minutes, or any other document required under the Act.
7.	Responsibility for Maintenance and Security of Electronic Records (Rule 28)

	The MD, CS, or any other director/officer designated by the Board is responsible for the maintenance and security of electronic records. The responsible person shall: a. Protect records from unauthorized access, alteration, or tampering. b. Prevent data loss due to damage or failure of storage media. c. Ensure that the signatory cannot deny the authenticity of signed electronic records. d. Maintain secure and validated computer systems, software, and hardware for accuracy and reliability. e. Ensure the system can detect invalid or altered records. f. Maintain records that are accurate, accessible, and reproducible for future reference. g. Ensure records can always be retrieved in a readable and printable format. h. Store records in a non-rewritable, non-erasable format (e.g., PDF) to prevent alterations or tampering. i. Keep at least one daily backup of electronic records, ensuring backups are authenticated, dated, and securely stored as per Board decisions. j. Restrict access to records to authorized persons as designated by the Board. k. Ensure that any conversion from physical to electronic records is complete, authentic, and legible. l. Organize and index records for easy access and retrieval. m. Take necessary security measures to ensure the integrity and confidentiality of record

29. First AGM And Subsequent AGM

	Content
1.	Every company (except OPC) shall hold an Annual General Meeting every year.
2.	Types of General Meetings The Act defines two types of general meetings a company must hold: a. Annual General Meeting (AGM) - Must be held annually. b. Extraordinary General Meeting (EGM) - Can be held as needed.
3.	First AGM a. First AGM must be held within 9 months from the closing of the first FY. b. No need to hold an AGM in the year of incorporation.
4.	Subsequent AGM a. Subsequent AGMs must be held within 6 months from the closing of the financial year. b. The gap between two AGMs must not exceed 15 months.
5.	Extension of AGM Period a. If a company cannot hold an AGM within the prescribed time, the Registrar may extend the time for special reasons. b. Extension can be for a period of up to 3 months. c. No extension can be granted for the first AGM.
6.	Time and Place for Holding AGM [Sec 96(2)] a. AGM shall be called between 9 a.m. and 6 p.m. on any day that is not a National Holiday. b. AGM shall be held either: ✓ At the registered office of the company, or ✓ At another place within the city, town, or village where the registered office is situated.
7.	Exemptions

	a. Unlisted Company: AGM can be held at any place in India if all members give prior written or electronic consent. b. Section 8 Company: ✓ The time, date, and place of AGM are decided by the Board, considering any directions given by the company in its general meeting. ✓ Exception applies only if the company is compliant with filing requirements (Sec 137 and Sec 92). c. Government Company: ✓ AGM shall be held between 9 a.m. and 6 p.m. on a day that is not national holiday. ✓ AGM can be held at the registered office or other places approved as CG may approve. ✓ Exception applies only if the company is compliant with filing requirements (Sec 137 and Sec 92). d. The CG may exempt any company from these provisions subject to conditions.

30. Powers of Tribunal to Call AGM

	Content
1.	Power of Tribunal to Call AGM a. If a company fails to hold an AGM u/s 96: ✓ Notwithstanding the Act or the company's AOA, ✓ The Tribunal may, on the application of any member, call or direct the holding of an AGM and give necessary directions. b. Such directions may include a direction that one member (present in person or by proxy) shall be deemed to constitute a meeting.
2.	AGM Called by Tribunal to Be Deemed as AGM An AGM held under the Tribunal's direction, as per Sec 97(1), shall be deemed to be an AGM of the company, subject to any directions of the Tribunal.

31. Powers of Tribunal to Call Meetings of Members other than AGM

	Content
1.	Power of Tribunal to Call Meetings of Members, etc. a. If it is impracticable to call a meeting (other than an AGM) in the usual manner prescribed by the Act or the company's articles: b. The Tribunal can, either Suo motu or on the application of any director or member entitled to vote, ✓ Order a meeting to be called, held, and conducted as the Tribunal deems fit. ✓ Give necessary directions, including modifying the calling, holding, and conducting of the meeting. ✓ Such directions may include that one member present (in person or by proxy) is deemed to constitute a meeting.
2.	Meetings of Members Called by Tribunal to Be Deemed as Valid General Meeting Any meeting called, held, and conducted under the Tribunal's order shall be deemed to be a valid meeting of the company for all purposes.

32. Punishment for default in complying with the provisions of sec 96 to 98

Content

1.	Punishment for Default in Complying with Provisions of Sec 96 to 98 a. If a company defaults in holding an AGM or in complying with any directions issued by the Tribunal: b. Penalty: The company and every officer in default shall be liable to a fine up to ₹ 1,00,000 and ₹ 5,000 per day for each day the default continues.

33. EGM [Sec 100]

	Content
1.	Board of Directors a. The Board may call an EGM whenever it deems fit. b. An EGM shall be held at a place within India (except for a wholly owned subsidiary of a company incorporated outside India). c. For specified IFSC Private and Public Companies, the Board can call an EGM anywhere in or outside India with consent from all shareholders.
2.	On the Requisition of Members (BOD) a. Who can make a valid requisition: ✓ Company with share capital: Members holding at least 1/10th of the PUSC with voting rights. ✓ Company without share capital: Members holding at least 1/10th of total voting power. b. Matters of valid requisition: ✓ The requisition must state the matters for consideration, be signed by requisitionists, and sent to the registered office. ✓ The Board shall call the meeting within 21 days from receipt of the valid requisition and hold it within 45 days.
3.	Requisitionists a. If the Board does not call the meeting within 21 days from receipt of a valid requisition, the requisitionists may call the meeting within 3 months. b. The requisitionists must call and hold the meeting in the same manner as the Board would. c. All reasonable expenses incurred by requisitionists in calling the meeting will be reimbursed by the company and deducted from any remuneration payable to the directors in default u/s 197.

34. EGM by Requisitionists [Rule 17]

	Content
1.	a. Requisition for EGM: Members can requisition an EGM by providing the requisition in writing or electronically at least 21 days before the proposed date of the meeting. b. Notice: The notice shall specify the place, date, day, hour, and business of the meeting. c. Location of EGM: The meeting shall be convened at the registered office or in the same city/town where the registered office is located and cannot be on a national holiday. d. Special Resolution: If a special resolution is proposed, the notice must comply with Sec 114(2) (disclosure of special resolution). e. Signing of Notice: The notice shall be signed by all requisitionists or by one authorized requisitionist with written authorization from others or through electronic request with scanned signatures.

	f. Explanatory Statement: No explanatory statement (as per Sec 102) is required. The requisitionists may provide reasons for the resolutions. g. Notice Recipients: The notice of the meeting shall be sent to members listed in the Register of Members within 3 days of the requisitionists submitting a valid requisition for calling an EGM. h. List of Members: ✓ If the meeting is not convened, the requisitionists have the right to receive a list of members with their registered addresses and number of shares held. ✓ The company shall provide this list, updated as of the 21st day from the receipt of a valid requisition, along with any changes, before the 45-day from the date of receipt of the requisition. i. Method of Notice: The notice can be sent via speed post, registered post, or electronic mode. Non-receipt or accidental omission of notice does not invalidate the meeting.

35. Provisions of Companies Act Regarding Report of AGM

	Content
1.	Every listed public company shall prepare a report on each AGM, confirming the meeting was convened, held, and conducted as per the Act and Rules.
2.	A copy of the report shall be filed with the Registrar in Form No. MGT. 15 within 30 days of conclusion of AGM, along with the prescribed fee.
3.	Rule 31 (Companies (Management and Administration) Rules, 2014) The report is to be prepared in addition to the minutes of the meeting and must include the following: a. Signed by the Chairman of the meeting (or 2 directors if Chairman is unavailable), including the MD (if applicable) and CS. b. Details to include: ✓ Day, date, hour, and venue of the AGM ✓ Confirmation of Chairman's appointment ✓ Number of members attending ✓ Quorum confirmation ✓ Compliance with Act, Rules, and Secretarial Standards regarding calling, convening, and conducting the meeting ✓ Business transacted and the results ✓ Any adjournments or postponements ✓ Other relevant points
4.	Penalty for Default a. Company Penalty: Failure to file the report within 30 days results in a penalty of ₹1,00,000 and ₹500/day for continued failure up to ₹5,00,000. b. Officer Penalty: Every officer in default faces a penalty of at least ₹25,000 and ₹500/day for continued failure up to ₹1,00,000.

36. Applicability of this chapter to OPC

	Content
1.	Sections 98 and 100 to 111 do not apply to OPC.
2.	Ordinary Business at AGM The ordinary businesses u/s 102(2)(a) required at an AGM shall be transacted in an OPC as specified in Sub-section (3).
3.	Resolution in OPC Business Transactions: In OPC: a. Any business requiring an ordinary or special resolution at a meeting, may be transacted if the resolution is: ✓ Communicated by the member to the company. ✓ Entered in the minutes book, signed and dated by the member. ✓ The date is deemed to be the date of the meeting for all purposes under the Act. b. For a One Director OPC: Any board resolution shall be entered in the minutes book, signed and dated by the director, and the date is deemed to be the date of the Board meeting.
4.	Penalty for Non-Compliance If the provisions are not complied with: a. The company and any officer or person in default shall be fined up to ₹5,000. b. For continuing contravention, a further fine of ₹500/day may be imposed.

37. Service of documents' on a company and the members of the company.

	Content
1.	Modes of Service A document can be served on a company or officer by: a. Registered post or speed post, b. Courier service, c. Leaving it at the company's registered office, d. Electronic or prescribed modes.
2.	Depository Records If securities are held with a depository, the beneficial ownership records may be served electronically or by another prescribed mode.
3.	Service of Documents on Registrar or Members a. Modes of Service A document may be served on the Registrar or any member by: ✓ Post, registered post, speed post, courier, ✓ Delivered at the office/address, ✓ Electronic or prescribed modes. b. Member Request A member can request delivery of documents via a specific mode, and shall pay fees determined by the company at the AGM.

8. DECLARATION AND PAYMENT OF DIVIDEND [SEC. 123 TO 127]

1. Definition, Meaning & Concept Of Dividends

	Content
1.	Definition Sec 2(35) Dividend includes any interim dividend.
2.	Meaning and Concept a. Dividend is the shareholder's return on their investment/capital in the company. It is part of the distributable profits paid out to shareholders. b. It is a portion of profits allocated as payable to shareholders when declared. c. The Board recommends the dividend, but it must be approved by the shareholders in the AGM. d. The Board's recommended dividend is approved by shareholders at the AGM. e. The company cannot declare a dividend higher than the rate recommended by the Board. f. Dividend is not a liability unless declared by shareholders in a validly constituted general meeting by passing an ordinary resolution. g. Dividend is declared as a proportion of the nominal or face value of a share.

2. Types of Dividends

	Content
1.	Interim Dividend a. Declaration Timing: Interim dividend may be declared by the Board of Directors at any time between the closure of the financial year and the AGM. b. Sources: The sources for interim dividend include: ✓ Surplus in profit and loss account ✓ Profits of the current financial year ✓ Profits generated up to the quarter preceding the declaration date. c. Ratification: Interim dividend must be ratified by the members at the ensuing AGM. d. In case of Losses: If there are losses in the current financial year, interim dividend cannot exceed the average rate declared in the previous 3 financial years. e. Separate Bank Account: The dividend must be deposited in a separate account within 5 days of declaration. f. Provisions: All provisions applicable to final dividend also apply to interim dividend.
2.	FINAL DIVIDEND a. AGM Declaration: The dividend declared at the AGM is known as final dividend. b. Rate Limitation: The rate of dividend recommended by the Board cannot be increased by the members.

Comparison Between Interim And Final Dividend		
Basis	Interim Dividend	Final Dividend
Definition	Interim dividend is declared and paid during an accounting year, i.e., before the finalization of accounts for the year.	Final dividend is the dividend recommended by the board of directors and approved by shareholders at the company's AGM, after the close of FY.

Announcement	Announced by BOD.	Recommended by Board of Directors and approved by shareholders.
Time of Declaration	Before preparation of FS.	After preparation of FS.
Revocation	It can be revoked with the consent of all shareholders.	It cannot be revoked.
Provision in AOA	It is declared only when the articles specifically permit the declaration.	It does not require any specific provision in the articles.

3. Classification of Dividend based on Nature of Shares

	Content
1.	Preference Shares a. Preference dividends are non-cumulative, meaning they don't need to be paid if there are insufficient profits. b. Classification of Preference Shares: ✓ Cumulative Preference Shares: Dividends accumulate and any arrears must be paid before dividends can be paid to equity shareholders. ✓ Non-Cumulative Preference Shares: Dividends are payable only when there are profits. If no dividend is declared in a year, the right to receive it expires, and no arrears are carried forward.
2.	Equity Shares a. The rate of dividend on equity shares is recommended by the BOD and may vary each year. b. It depends on the company's dividend policy and available profits, after satisfying preference shareholders' rights.

4. Declaration & Payment of Dividends

	Content
1.	Sources for Declaration of Dividend a. Dividend can be declared from Current Financial Year profits after providing for depreciation as per Schedule II. b. undistributed profits of any Previous Financial Year(s) (i.e., credit balance in the profit and loss account and free reserves) after providing for depreciation. c. Both. d. Money provided the CG or SG in pursuance of a guarantee given by government. Note: a. Any previous losses and depreciation must be set off against the profits of the current year before declaring dividends. b. Capital profits cannot be used for dividend as they are not considered distributable profits.
2.	Discretion on Transfer to Reserves a. Transfer of profits to reserves is at the discretion of the company. b. A company may transfer any portion of its profits to reserves or may choose not to transfer any amount at all.

3.	Free Reserves (Sec. 2(43)) a. Free reserves are reserves available for dividend distribution as per the latest audited balance sheet of the company. b. Exclusions: The following are not treated as free reserves: a. Revaluation Reserve: Unrealized or notional gains from revaluation of assets. b. Fair Value Adjustments: Changes in carrying amounts of assets or liabilities recognized in equity, including surplus from fair value measurements. (As per Ind AS).

5. Need for providing Depreciation out of Profits before Declaring Dividend

	Content
1.	Source of Dividend Dividend is an apportionment from revenue profits. It should never be declared out of capital.
2.	Depreciation Depreciation is a notional estimate of the reduction in the value of an asset due to: a. Wear and tear b. Efflux of time c. Improvements in technology, etc.
3.	Consequences of not Providing for Depreciation If depreciation is not provided for, the following consequences will occur: a. Overstated value of the asset in the Balance Sheet b. Overstated profits for the current year.
4.	Legal Requirement Law mandates provision for depreciation out of profits before the declaration of dividend.

6. Declaration of Dividends in Case of Inadequacy or Absence of Profits

	Content
1.	Declaration of Dividend with No Adequate Profits If the company has no adequate profits in a year, it may declare dividend from accumulated profits transferred to free reserves, subject to Rule 3.
2.	Conditions for Declaration of Dividend The following 4 conditions apply for declaring dividend from free reserves: a. Condition I: Average Rate of Dividend Dividend rate ≤ Average of the rates declared in the immediately preceding 3 years. Formula: Rate of Dividend ≤ (RD1 + RD2 + RD3) / 3 (RD1, RD2, RD3 are the rates in previous 3 years) Exception: If no dividend declared in last 3 years, this condition doesn't apply. b. Condition II: Total Amount from Accumulated Profits The total amount from accumulated profits shall not exceed 10% of PUSC and free reserves as per the latest audited financial statement. c. Condition III: Set-Off Losses First The amount drawn from accumulated profits must first be used to set off losses of the current year. Only then can dividend be declared. d. Condition IV: Minimum Reserves After withdrawal, the balance of reserves shall not fall below 15% of PUSC as per the latest audited financial statement.

3.	Exemption from Rule 3 Conditions 100% Government Company: These conditions don't apply to government companies where the entire paid-up capital is held by CG or SG(s) or partly by CG & partly by SG(s).

7. Deposit & Payment of Dividend

	Content
1.	Deposit of Dividend in a Separate Bank Account [Sec. 123(4)] a. Dividend must be deposited in a separate bank account within 5 days of declaration. b. Exemption: Not applicable to Company if entire share capital is owned by CG / SG / CG & SG.
2.	Payment of Dividend to Shareholders [Sec. 123(5)] a. Dividend is paid only to registered shareholder or their order/banker. b. Dividend can't be claimed by a purchaser until their name is registered. Note: If shareholder authorizes a bank, payment to the bank is deemed to be made to the shareholder.
3.	Dividend on Partly Paid Shares A company can pay dividend proportionate to amount paid-up on shares if allowed by its articles.
4.	Dividends Payable in Cash not in Kind a. Dividend in Cash can be paid via cheque, warrant, or electronic mode. b. Dividend shall be paid within 30 days from declaration. c. If dividend is via warrants, they must be posted to registered addresses within the prescribed time. Exception: Capitalization of a company's profits or reserves to issue fully paid-up bonus shares or to pay any unpaid amount on shares held by its members.
5.	Applicability to Nidhis Nidhis can pay dividend by crediting the member's account if not claimed within 30 days from declaration.

8. Prohibition on Declaration of Dividends

	Content
1.	Failure to Comply with Deposit Provisions A company that fails to comply with Sec 73 (Prohibition on acceptance of deposits from public) and Sec 74 (Repayment of deposits) cannot declare dividend on its equity shares until the failure is resolved.
2.	For Section 8 Companies A Section 8 company (formed for charitable objects) cannot pay dividend to its members. Its profits shall be used only to promote its charitable objectives.

9. Unpaid Dividend Account

	Content
1.	a. Transfer of Unpaid Dividend If dividend is declared but not paid/claimed within 30 days from the date of declaration, the company shall transfer the unpaid amount to the Unpaid Dividend Account (UDA) within 7 days from the expiry of the 30 days. b. Interest on Default

	✓ If the company fails to transfer the unpaid dividend to UDA within the specified time, it shall pay 12% interest p.a. from the date of default. ✓ The interest will be available to members in proportion to the unpaid amount. c. Claiming Unpaid Dividend Any person entitled to the money in UDA can apply to the company for payment of the unpaid dividend.
2.	Statement of Unpaid Dividend a. Within 90 days of transferring to UDA, the company must prepare a statement containing: ✓ Names of the entitled members ✓ Their last known addresses ✓ Amount of unpaid dividend b. The statement must be placed on the company's website and any other website approved by the CG.

10. Transfer of Unpaid Dividend to IEPF

	Content
1.	a. Transfer After 7 Years Any money transferred to UDA which remains unpaid or unclaimed for 7 years from date of such transfer, shall be transferred by the company, along with any interest accrued, to the IEPF. b. Transfer of Shares to IEPF Shares with unpaid or unclaimed dividend for 7 consecutive years shall be transferred to IEPF in the name of the Fund along with a statement containing prescribed details. Note: If any dividend is paid or claimed during the 7 years, the shares shall not be transferred to IEPF. c. File Statement with IEPF ✓ The company shall file a statement with the IEPF Authority detailing such transfers. ✓ The Authority will issue a receipt as evidence of the transfer.
2.	Right to Reclaim Transferred Shares The claimant of shares transferred to IEPF can reclaim the shares from IEPF by following the prescribed procedure and submitting the required documents.
3.	Punishment for Contravention ✓ If a company fails to comply with these provisions, it is liable for a penalty of Rs. 1,00,000 and Rs. 500 per day of continuing failure, with a maximum penalty of Rs. 10 lakh. ✓ Every officer in default is liable to a penalty of Rs. 25,000 and Rs. 100 for each day of continuing failure, with a maximum penalty of Rs. 2 lakh.

11. IEPF

	A. Credit of Specified Amounts to the Fund
1.	a. Grants from the CG after due appropriation by Parliament. b. Donations from the CG, SG, companies, or other institutions for the Fund's purposes. c. Amount in the Unpaid Dividend Account transferred to the Fund u/s 124(5). d. Amount from the General Revenue Account of the CG u/s 205A(5) of the Companies Act, 1956. e. Amount lying in the IEPF u/s 205C of the Companies Act, 1956. f. Interest or other income received from investments made with the Fund.

	g. Amount from disgorgement or disposal of securities seized from wrongdoers (for securities fraud) u/s 38(4). h. Application money for securities, remaining unclaimed for 7 years from due date of payment. i. Matured deposits (excluding banking companies), unclaimed for 7 years from the due date. j. Matured debentures, unclaimed for 7 years from the due date. k. Interest on amounts mentioned in clauses (h) to (j). l. Sale proceeds from fractional shares (bonus shares, mergers, amalgamations) unclaimed for 7 years. m. Redemption amount of preference shares unclaimed for 7 years. n. Other prescribed amounts as per Rule 3 of IEPF (Accounting, Audit, Transfer, and Refund) Rules, 2016 (including shares and benefits). ✓ All amounts payable as per clauses (a) to (n) of Section 125(2) of the Act. ✓ Shares u/s 124(6) where dividends have remained unclaimed or unpaid for 7 consecutive years or more. ✓ Any benefits arising from shares held by the Authority. ✓ Grants, fees, and charges received by the Authority under these rules. ✓ Any other sums received by the Authority as decided by the Central Government. ✓ All income earned by the Authority in any year. ✓ Amounts payable under: ▪ Section 10B(3) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970. ▪ Section 10B of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980. ▪ Section 38A(3) of the State Bank of India Act, 1955. ▪ Section 40A of the State Bank of India (Subsidiary Bank) Act, 1959. ✓ Any other sums collected by the Authority under the Act. Additionally, as per Rule 3(3), any unpaid or unclaimed interest on term deposits and debentures must be transferred to the Fund along with the matured amount of such deposits and debentures.
	B. Utilization of the Fund
2.	a. Refund of unclaimed dividends, matured deposits, matured debentures, and application money along with interest. b. Promotion of investors' education, awareness, and protection. c. Distribute disgorged amounts among eligible applicants (shareholders, debenture-holders, depositors) based on court orders. d. Reimbursement of legal expenses for class action suits as per Sec 37 & 245 (members, debenture-holders, or depositors). e. Other incidental purposes as per the rules under IEPF (Accounting, Audit, Transfer, and Refund) Rules, 2016.
3.	Application to the Authority for Payment Any person claiming to be entitled to the amounts u/s 125(2) may apply to the IEPF Authority for payment.
4.	IEPF Authority ✓ Constitution of the Authority for Fund Administration:

	CG, by notification, constitutes an authority for administration and management of fund consisting of ✓ Secretary of the MCA as the ex-officio Chairperson. ✓ Members not exceeding 7 and ✓ CEO, who acts as the convenor. ✓ Provision of Resources by the CG: The CG may provide the Authority with necessary offices, officers, employees, and resources as per the IEPF Authority Rules, 2016. ✓ Consultation with C&AG of India: The Authority shall manage the Fund, maintain separate accounts, and keep records in the prescribed format, in consultation with the C&AG of India. ✓ Spending of Money: The Authority has the power to use the Fund for purposes specified in Sec 125(3). ✓ Audit of the Fund: The Fund's accounts will be audited by the C&AG of India at specified intervals. The audit report will be submitted annually to the Central Government. ✓ Annual Report Preparation: For each FY, the Authority will prepare an annual report detailing its activities. The CG will present this report, along with the C&AG audit report, before both Houses of Parliament.

12. Right of dividend, Rights shares and bonus shares to be held in abeyance pending registration of transfer of shares

A. Actions on Unregistered Share Transfer	
1.	Transfer of Dividend If a share transfer has been delivered for registration but not registered by the company, the company shall: a. Transfer the dividend related to those shares to the Unpaid Dividend Account. b. Unless the registered holder authorizes the company, in writing, to pay the dividend to the transferee specified in the instrument of transfer.
2.	Abeyance on Rights and Bonus Shares The company shall Keep any rights shares u/s 62(1)(a) and bonus shares u/s 123(5) on hold (i.e., abeyance) for those shares.

13. Punishment for Failure to Distribute Dividends

Content	
1.	Time Limit for Distribution of Dividends a. Payment/Posting of Dividend ✓ Dividend must be paid or dividend warrant posted within 30 days of the declaration to the entitled shareholders. ✓ Posting within 30 days absolves the company from punishment, even if not received by the shareholder on time. b. Punishment for Failure If the company fails to pay the dividend or post the warrant within 30 days, the following punishments apply: ✓ Every director of the company may face imprisonment up to 2 years, and a fine of Rs.1,000 per day for each day the default continues.

	✓ The company must pay simple interest at 18% p.a. during the period of default.
2.	Exemptions from Punishment a. Dividend could not be paid due to the operation of law. b. Shareholder's directions for dividend payment cannot be complied with, and the company has informed the shareholder. c. There is a dispute regarding the ownership of the shares or right to receive the dividend. d. The dividend has been adjusted against any dues owed by the shareholder to the company. e. Default caused by external factors like banking failure, postal strikes, or lockdowns (not the company's fault).
3.	Applicability to Nidhis If the dividend payable is Rs. 100 or less, the company can announce the dividend in local language in a local newspaper and on the notice board for at least 3 months.

9. ACCOUNTS OF COMPANIES

Key Definitions	
1.	Books of Account [Sec 2(13)] includes records of: ✓ Money received and spent by the company and related matters. ✓ Sales and purchases of goods/services. ✓ Assets and liabilities of the company. ✓ Cost items prescribed u/s 148 (Cost Audit) for applicable companies. Note: "Book and paper" includes Books of Accounts, deeds, vouchers, writings, documents, minutes, and registers maintained on paper or in electronic form.
2.	Financial Statements includes: ✓ Balance Sheet ✓ Profit and Loss Account (Income and Expenditure Account for Sec 8 companies) ✓ Cash Flow Statement (not required for OPC, Small Company, Dormant Company, and Private Co – startup & no default u/s 92 (Annual return), 137 (FS)) ✓ Statement of Change in Equity (if applicable) ✓ Explanatory Notes.
3.	Financial Year [Sec 2(41)] in relation to any company or body corporate, means: a. the period ending on the 31st day of March every year, and b. 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. Exceptions: If a company or body corporate in India is a holding, subsidiary, or associate of a company incorporated outside India and follows a different financial year for consolidating its accounts abroad, it can apply to the CG for approval to adopt the same financial year in India, even if it is not exactly a year

Additional Notes	
1.	Start-Up Definition A private company recognized as a start-up by the Department of Commerce and Industry under the Companies Act, 2013 or 1956.
2.	Compliance FS must adhere to: ✓ Schedule III ✓ Accounting Standards ✓ True and Fair View.
3.	Schedule III Amendments ✓ Division I: For companies following Companies (AS) Rules, 2006. ✓ Division II: For companies following Companies (Ind AS) Rules, 2015.
4.	IFSC Exemptions For specified IFSC companies, subsidiaries of foreign companies can align their financial year with their holding company without requiring tribunal (CG) approval.

1. Books of Accounts

	Content
1.	Preparation of Books of Accounts a. Every company shall prepare books of accounts and FS for each FY, which must give a true and fair view of: ✓ The state of affairs of the company. ✓ The branch office(s). ✓ Transactions at both registered office and branches. b. Books of Accounts shall be kept on accrual basis and according to double entry system: ✓ Accrual Basis: Records income and expenses as they occur, regardless of cash flow. ✓ Double Entry System: Every transaction is recorded in at least two accounts with a dual aspect of debit and credit for effective control.
2.	Place of Keeping Books of Account a. At Registered Office Books of Accounts and FS shall be kept at the company's registered office. b. At Another Location ✓ The BOD can decide to keep books at another place in India. ✓ Within 7 days, the company shall file a notice (Form AOC-5) with the ROC indicating the address of the such place.
3.	Books of Account at Branch Office a. If a company has a branch office in or outside India, it must maintain proper books of account at that office, which will comply with Sec 128(1). b. If the books are maintained outside India, quarterly summary returns shall be sent to the registered office. These must be kept open for director inspection.

2. Inspection of books of accounts

	Inspection of Books of Account
1.	Inspection by Director only Any director (nominee, independent, promoter, or whole-time) can inspect the books of account during business hours.
2.	Inspection of Subsidiary's Books A director can inspect the books of a subsidiary only if authorised by a Board of Directors' resolution.
3.	Assistance from Officers/Employees Officers and employees must provide reasonable assistance during the inspection of books and papers.
4.	Financial Information Outside India a. If a director needs financial information maintained outside India, they shall furnish a request, detailing the information and the period. b. The company must provide the requested information within 15 days of the request. c. Directors can seek the information individually (not through an attorney, agent, or representative).

3. Preservation of books of accounts

Period for Preservation of Books	
1.	a. Books of account and relevant vouchers must be preserved for at least 8 years preceding the relevant FY. b. For a newly incorporated company, books must be preserved for the entire period since incorporation. c. If an investigation is ordered under Chapter XIV of the Act (related to inspection, inquiry, or investigation), the Central Government may extend the preservation period beyond 8 years.
2.	Persons Responsible for Maintenance The following persons are responsible for maintaining books of account: a. MD, Whole-Time Director in charge of finance, CFO b. Any other person charged by the Board with the duty to comply with Sec 128.
3.	Penalty for Non-Compliance ✓ If the responsible persons fail to ensure compliance, they may face a fine: ✓ Minimum of Rs. 50,000 ✓ Maximum of Rs. 5,00,000 per offence.

4. Books of Accounts in electronic form

Books of Account in Electronic Mode	
1.	Accessibility in India Books of account and relevant papers maintained in electronic mode must remain accessible in India for future reference.
2.	Audit Trail and Edit Log For companies using accounting software (from FY starting 1st April 2023): a. Audit trail must record each transaction. b. Edit log must track changes made to the books, with dates of changes. c. Audit trail cannot be disabled.
3.	Retention in Original or Accurate Form a. Books must be retained in the original format or a format that accurately presents the information. b. Branch office data should remain unaltered and reflect what was originally received.
4.	Legible Form The electronic record must be legible and capable of being displayed clearly.
5.	Storage and Retrieval A proper system must exist for storage, retrieval, display, or printout of records. Records must not be disposed of unless permitted by law.
6.	Backup Copy in India Backup of books and papers must be kept in servers physically located in India daily, even if data is stored outside India.
7.	Filing with ROC When filing FS, the company must inform the Registrar about the service provider: a. Service provider name. b. IP address. c. Location of service provider. d. If cloud storage is used, address provided by the service provider.

	e. If the service provider is outside India, provide details of the person in control of the records in India.

5. Preparation and presentation of financial statements

Financial Statements and Consolidation	
1.	True and Fair View, Schedule III, AS/Ind AS a. FS must give a true and fair view of the company's affairs. b. FS must comply with Accounting Standards and Schedule III. c. Non-applicability: ✓ Provisions do not apply to insurance, banking, electricity, and certain other companies. ✓ Matters prohibited from disclosure under other laws (e.g., Insurance Act) will not affect the true and fair view. d. Listed Companies must comply with SEBI regulations (Regulations 33 & 52) in addition to Sec 129.
2.	Laying of FS at AGM The Board of Directors must lay the financial statements before the AGM for each FY.
3.	Consolidated Financial Statements (CFS) a. If the company has subsidiaries or associates, it must prepare and lay Consolidated Financial Statements (CFS) at the AGM. b. Attach a separate statement of salient features of the subsidiaries and associates in Form AOC-1 (as per Rule 5).
4.	Manner of Consolidation a. Consolidation shall be made in accordance with Schedule III and applicable Accounting Standards. b. If a company is not required to prepare CFS under AS, it is sufficient if it complies with Schedule III provisions. c. A company without subsidiaries but having associate companies or joint ventures is exempt from consolidating their financial statements only for the financial year 2014-15 (April 1, 2014 – March 31, 2015). d. This rule does not apply to companies consolidating financial statements for subsidiaries incorporated outside India from April 1, 2014, onwards.
5.	Exemptions from CFS Preparation A company is exempt from presenting consolidated financial statements if: a. It is a wholly owned or partially owned subsidiary, and all other members (including those not entitled to vote) have been intimated in writing and have not objected, with proof of delivery available. b. Its securities are not listed or not in the process of listing on any stock exchange, in India or abroad. c. Its ultimate or intermediate holding company prepares and files consolidated financial statements with the ROC, complying with applicable AS.
6.	Provisions applicable to the preparation, adoption and audit of the FS of a holding company shall, mutatis mutandis, also apply to the consolidated financial statements.
7.	Non-Compliance with AS/Ind AS If FS deviate from Accounting Standards, the company must disclose: a. Deviation from standards. b. Reasons for deviation. c. Financial effects of deviation.

8.	Special Exemption by CG a. CG can grant exemptions from compliance for specific classes of companies in the public interest, subject to conditions. b. Exemptions are for Government Companies that comply with filing requirements u/s 137 and 92.
9.	Penal Provisions a. Penalties for non-compliance include: ✓ Imprisonment (up to 1 year). ✓ Fine (Rs. 50,000 to Rs. 5,00,000). ✓ Both. b. Applicable to MD, Whole-Time Director (Finance), CFO, or any person charged by the Board. In the absence of any officer mentioned above, all directors.

6. Periodical Financial Results

Periodical Financial Results for Unlisted Companies	
1.	Requirement for Periodical Results a. CG may require unlisted companies to prepare periodical financial results. b. The form and frequency will be as prescribed.
2.	Approval and Review a. The Board of Directors must approve the periodical results. b. Periodical Results must undergo either a full audit or a limited review in the manner prescribed.
3.	Filing with Registrar a. A copy of the periodical results must be filed with the ROC. b. Within 30 days of completing the relevant period along with the applicable fees.

7. Reopening of accounts on court's order or tribunals order

Content	
1.	Application By Whom A company cannot re-open its books of account or recast its financial statements unless requested by: a. CG b. Income-tax authorities c. SEBI d. Any statutory body or authority e. Any concerned person
2.	Application To Whom The application should be made to: a. A court of competent jurisdiction b. The tribunal
3.	Order of Court / Tribunal a. The court or tribunal may pass an order to revise and recast the financial statements if: ✓ The earlier accounts were prepared fraudulently, or ✓ The company's affairs were mismanaged, leading to unreliable financial statements. b. The court or tribunal shall give notice to the applicant and consider their representations before passing any order.
4.	Revised Accounts Are Final

	The accounts that are revised or recast shall be final.
5.	Time Limit for Re-opening Accounts a. No order can be made for re-opening books of account for a period earlier than 8 FY immediately preceding the current financial year. b. If the CG orders books to be retained longer than 8 years, accounts can be reopened for that extended period.

8. Voluntary revision of financial statements or board's report [Sec 131]

	Content
1.	Revised Financial Statement or Revised BoD Report If the directors find that the financial statement or Board report does not comply with Sec 129/134, they can prepare a revised financial statement or revised report for any of the 3 preceding FY.
2.	Prior Approval of NCLT Revision can only occur with prior approval of the Tribunal through an application by the company.
3.	Filing of Tribunal Order with RoC a. File an application in Form NCLT-1 within 14 days of the Board's decision. b. File the certified Tribunal order with the ROC within 30 days of receipt.
4.	Tribunal to Serve Notice a. The Tribunal will notify CG, SEBI, tax authorities, or any other relevant party. b. The Tribunal will consider any representations made by these parties before issuing an order.
5.	Only One Revision Allowed a. A revised statement or report can be filed only once in a financial year. b. Once revised, it cannot be revised again for the same period.
6.	Reasons for Revision to be Disclosed Detailed reasons for the revision must be disclosed in the Board's report of the relevant FY in which such revision is being made.
7.	Limits of Revision Revisions are limited to: a. Corrections required to comply with Section 129 or 134. b. Necessary consequential alterations.
8.	Framing of Rules by CG The CG may create rules to guide the revision process, such as: a. Replacing or supplementing documents to indicate corrections. b. Defining the role of auditors for the revised documents. c. Prescribing steps for directors.
9.	Rule 77 - NCLT Rules, 2016 a. Application must include: ✓ Financial year related to the accounts. ✓ Contact details of directors, CFO, and company secretary. ✓ Auditor's name and details. ✓ Board resolution copy. ✓ Grounds for revision. ✓ Disclosure if auditors or directors changed before applying. b. Advertisement of the application is required 14 days before the hearing date.

	c. The Tribunal shall issue notice to auditor and heard him before passing an order. d. After approval, a general meeting may be called, and reasons for the revision must be published in English and vernacular languages. e. At the general meeting, the revised FS, Board's report, and auditor's statement will be considered. f. Approved revisions shall be filed with the RoC within 30 days of general meeting approval.

9. NFRA

	Content
1.	Constitution of NFRA [Sec 132(1)] a. CG may constitute NFRA by notification to provide for the matters related to accounting and auditing standards. b. NFRA performs functions through prescribed divisions.
2.	Protection of Public Interest NFRA ensures the public interest, as well as the interest of investors, creditors, and other stakeholders, is protected by: a. Establishing high-quality AS and SA. b. Oversight of accounting and auditing functions of companies and auditors.
3.	Functions of NFRA [Sec 132(2)] NFRA has various functions including: a. Maintain auditor details of companies and bodies corporate governed by NFRA. b. Make recommendations to the CG on accounting and auditing policies and standards. c. Monitor and enforce compliance with these standards.
4.	NFRA Recommendations Process a. NFRA receives recommendations from ICAI on new or amended accounting and auditing standards. b. NFRA can seek additional information from ICAI if required. c. The Authority reviews recommendations and makes its own recommendations to the CG.
5.	Compliance and Oversight by NFRA a. NFRA may review FS of companies and bodies corporate. b. NFRA can request documents or explanations from the company or auditor. c. If necessary, NFRA may require the presence of company officers and auditors to clarify issues. d. Non-compliance findings are published on NFRA's website. e. If NFRA identifies a violation of accounting standards, it may investigate further or take enforcement action.
6.	Monitoring and Enforcing Auditing Standards Under Rule 8, NFRA can: a. Review audit working papers, plans, and related documents. b. Evaluate audit quality control systems and documentation. c. Conduct additional testing of audit, supervision, and quality control procedures as needed d. Require auditors to report on governance practices to ensure audit quality. e. Seek extra information or require the auditor's personal presence for explanations. f. Conduct monitoring and enforcement through experienced officers or experts g. Publish audit non-compliance findings on its website unless deemed against the public interest, with recorded justification.

	Exception: Proprietary or Confidential information unless necessary for the public interest, with recorded reasons h. Submit a confidential report with sensitive information to the CG.
7.	Overseeing Service Quality a. NFRA monitors the quality of audit services and recommends improvements as needed. ✓ NFRA may direct auditors to enhance audit processes, quality control, and reports within a set timeframe. ✓ Auditors must implement improvements and report back on compliance. ✓ NFRA will track progress and take necessary actions. ✓ Cases related to audit quality may be referred to the Quality Review Board under the Chartered Accountants Act, 1949 for further review. ✓ Experts may assist NFRA in oversight and monitoring activities. b. NFRA works to raise awareness about accounting and auditing standards compliance. c. NFRA collaborates with global and national audit regulators to ensure adherence to auditing and accounting standards. d. NFRA performs any additional functions necessary to fulfil its mandate.

10. Composition of NFRA

	Content
1.	Composition of NFRA [Sec 132(3)] a. NFRA consists of: ✓ Chairperson: A person of eminence with expertise in accountancy, auditing, finance, or law (appointed by the Central Government). ✓ Up to 15 members (part-time and full-time). b. Each division is presided over by the Chairperson or a full-time member authorized by them. c. An executive body consists of the Chairperson and full-time members to ensure efficient discharge of functions. d. Appointment of the Chairperson and Members is done by the CG. e. Chairperson and members must declare no conflict of interest or lack of independence at the time of their appointment. f. Full-time Chairperson and members cannot be associated with any audit or related consultancy firm during their tenure and 2 years post-tenure. g. Part-time members include: ✓ MCA Representative: Officer not below the rank of Joint Secretary. ✓ C&AG Representative: Officer not below the rank of Accountant General or Principal Director. ✓ RBI Representative: Officer not below Executive Director. ✓ SEBI Representative: Officer not below Executive Director. ✓ President, ICAI: Ex-officio. ✓ Chairperson of ICAI's AS and Auditing and Assurance Standards Boards. ✓ Two experts in accountancy, auditing, finance, or law. h. CG may also appoint a secretary and other employees as needed for efficient functioning of NFRA.
2.	Meetings of NFRA a. NFRA meets at prescribed times and places. b. The rules of procedure for meetings are prescribed by the Central Government.

3.	Secretary and Other Employees a. CG may appoint a secretary and other employees as necessary for efficient functioning of NFRA. b. The terms and conditions of service of the Secretary and employees are prescribed.
4.	Head Office of NFRA The head office of the NFRA is at New Delhi.

11. Class of Companies governed by NFRA

	Content
1.	a. Companies whose securities are listed on any stock exchange in India or outside India. b. Unlisted public companies with any of the following: ✓ Paid-up capital ≥ ₹500 crores. ✓ Annual turnover ≥ ₹1,000 crores. ✓ Outstanding loans, debentures, and deposits ≥ ₹500 crores (as of March 31 of the immediately preceding financial year). c. Special Entities includes: ✓ Insurance companies. ✓ Banking companies. ✓ Companies in electricity generation or supply. ✓ Companies governed by any special Act. ✓ Bodies corporate incorporated by an Act. d. Entities Referred by CG Any company, body corporate, or person referred by the Central Government to NFRA in public interest. e. Material SC/AC of Above A subsidiary or associate company of entities listed in clauses (a) to (d), incorporated or registered outside India, if Its income or net worth exceeds 20% of the consolidated income or net worth of the parent company or body corporate.
2.	a. Every existing body corporate (other than companies) governed by these rules must inform NFRA of the auditor's particulars within 30 days of rule commencement. b. A company or body corporate remains governed by NFRA for 3 years after it: ✓ Ceases to be listed, or ✓ Its paid-up capital, turnover, or loans, debentures, and deposits fall below the prescribed limits. c. If a company, officers in default, auditors, or other persons contravenes NFRA Rules shall be punishable as per Section 450 of the Act:

12. CG to prescribe AS

	Content
1.	a. The CG has the authority to prescribe accounting standards or any addendum there to as recommended by ICAI, in consultation with and after examination by NFRA. b. Until NFRA is constituted under Section 132, the CG may prescribe standards based on recommendations by ICAI, examined by NACAS.

13. Approval of Financial Statements by Board of Directors

	Content
1.	Approval by the Board FS, including CFS, shall be approved by the BOD and signed on behalf of the Board by: ✓ Chairperson (if authorised by the Board) or 2 Directors (one must be the MD, if any), and ✓ CEO, CFO, and CS (if appointed). before it is submitted to auditor for his report there on.
2.	One Person Company (OPC) For an OPC, the FS is signed by one director for submission to the auditor for his report there on.
3.	Auditor's Report The auditor's report must be attached to every financial statement.
4.	Circulation and Publication [Section 134(7)] A signed copy of every financial statement, including consolidated financial statements, must be issued, circulated, or published along with: a. Notes annexed to or forming part of the financial statement. b. Auditor's report. c. Board's report.

14. Board report

	Content
1.	a. The Board's Report shall be prepared based on the standalone financial statements of the company. b. The report should include highlights of performance of subsidiaries, associates, and joint ventures. c. The report must detail their contribution to the overall performance of the company during the reporting period.
2.	Contents of board report a. Web address (if any) where annual return is placed. b. Number of meetings of the board. c. Directors' Responsibility Statement. d. Details of frauds reported by auditors u/s 143(12), except those reportable to the CG. e. Statement on declaration by independent directors u/s 149(6). f. Policy on directors' appointment and remuneration as per Sec 178(1) (applicable to non-Govt. companies). g. Explanations or comments on qualifications, reservations, or adverse remarks in auditors' or secretarial audit report. h. Particulars of loans, guarantees, or investments u/s 186. i. Details of contracts/arrangements with related parties as per Sec 188(1) in Form AOC-2. j. The state of the company's affairs. k. Amount proposed to be carried to reserves. l. Amount recommended for dividends. m. Material changes affecting financial position post-financial year up to the report date.

	n. Information on conservation of energy, technology absorption, and foreign exchange (defense companies exempted). o. Statement on risk management policy, including elements of risk threatening company existence. p. Details of Corporate Social Responsibility initiatives. q. In case of Listed Company and public company with PUSC of 25 crores or more, a statement indicating the manner in which formal annual evaluation of the performance of the board, its committees and of individual directors has been made
3.	Rule 8 other matters a. Financial summary or highlights. b. Changes in nature of business. c. Appointments or resignations of Directors/KMP. d. Board opinion on proficiency, integrity, and expertise of independent directors as per Sec 150. e. Names of companies that became or ceased to be subsidiaries, joint ventures, or associates during the year. f. Details of deposits accepted, unpaid/unclaimed, or in default. ✓ At the beginning of the year ✓ Maximum during the year ✓ At the end of the year. g. Details of deposits which are not in compliance with the requirements of chapter v of the act h. Material orders by regulators, courts, or tribunals impacting going concern status. i. Adequacy of internal financial controls with reference to financial statements. j. Statement on cost records maintenance as per Sec 148(1). k. Compliance with Internal Complaints Committee under the Sexual Harassment of Women at Workplace Act, 2013. l. Details of applications/proceedings under IBC, 2016. m. Details of difference between valuation done at the time of one-time settlement and while taking loan from Bank or FI along with reasons thereof.
4.	Signing of Board's Report [Sec 134(6)] Report and annexures to be signed by: a. Chairperson (if authorized by the Board). b. If not authorized, by at least 2 directors, one of whom must be a MD. c. For a company with one director, signed by that director.
5.	Punishment for Contravention [Sec 134(8)] a. Company Penalty: ₹3,00,000 if company defaults in compliance. b. Officer Penalty: ₹50,000 penalty for every officer in default.

Abridged Board's Report	
1.	a. CG may prescribe an abridged Board's Report for OPC or Small Company. b. Board report shall be prepared based on standalone financial statements in an abridged form. ✓ Web address (if any) where annual return u/s 92(3) is placed. ✓ Number of Board meetings. ✓ Directors' Responsibility Statement as per Sec 134(5).

	✓ Details of frauds reported u/s 143(12), except those reportable to the CG. ✓ Explanations/comments on qualifications, reservations, adverse remarks, or disclaimers in the auditor's report. ✓ The state of the company's affairs. ✓ The financial summary or highlights. ✓ Material changes after the financial year affecting the company's financial position. ✓ Details of Directors appointed or resigned during the year. ✓ Details of significant orders affecting going concern status or future operations. ✓ Details of related party contracts/arrangements under Sec 188(1) in Form AOC-2.

15. Contents of Directors Responsibility Statement

	Content
1.	Directors Responsibility Statement shall state that: a. Applicable accounting standards were followed in the preparation of annual accounts, with explanations for material departures. b. Directors selected and applied accounting policies consistently, making reasonable and prudent judgments to reflect a true and fair view of the company's affairs and profit/loss. c. Proper and sufficient care was taken for maintaining adequate accounting records to safeguard assets and prevent/detect frauds and irregularities. d. Annual accounts were prepared on a going concern basis. e. For listed companies, internal financial controls were established, found adequate, and operating effectively. f. Proper systems were devised to ensure compliance with all applicable laws, which were found adequate and operating effectively.
2.	Internal Financial Controls To ensure smooth and efficient operations, the company adopts policies and procedures covering: a. Ensuring adherence to the company's established policies and guidelines. b. Safeguarding company assets from misuse, loss, or damage. c. Identifying and preventing frauds and errors. d. Maintaining complete and error-free accounting records. e. Ensuring timely preparation of accurate financial information.

16. CSR

	Definitions
1.	Corporate Social Responsibility CSR refers to activities u/s 135 but excludes: a. Activities in the normal business of the company, except for R&D related to COVID-19 during FY 2020-23, subject to: ✓ Collaboration with institutes under item (ix) of Schedule VII. ✓ Disclosure in the Annual CSR Report. b. Activities outside India, except training Indian sports personnel at national/international levels. c. Contributions to political parties u/s 182. d. Activities benefitting company employees as per sec 2(k) of the Code on Wages, 2019. e. Sponsorship-based activities aimed at marketing benefits.

	f. Activities required for fulfilment of statutory obligations under other laws in India.
2.	CSR Committee Committee formed u/s 135 to oversee CSR activities [Rule 2(e)].
3.	CSR Policy Statement with the board's approach, guiding principles, and annual action plan for CSR [Rule 2(f)].
4.	Administrative Overheads General management expenses for CSR, excluding direct costs for CSR project implementation [Rule 2(b)].
5.	International Organisation Organisations notified by the government under the UN (Privileges and Immunities) Act, 1947 [Rule 2(g)]. Note: CSR expenditure by a foreign holding company qualifies as CSR spend for an Indian subsidiary if routed through it.
6.	Net Profit Defined as per financial statements under the Act but excludes: a. Overseas Profits: Profits from overseas branches. b. Dividend Income: Dividends from compliant Indian companies u/s 135.
7.	Ongoing Project Ongoing Project means a multi-year project undertaken by a Company in fulfilment of its CSR obligation having timelines not exceeding 3 years excluding the FY in which it was commenced, and shall include such project that was initially not approved as a multi-year project but whose duration has been extended beyond one year by the board based on reasonable justification.
8.	Public Authority Defined as per section 2(h) of the RTI Act, 2005 [Rule 2(j)].
9.	Net Worth: a. Sum of PUSC + Reserves created out of profits + Securities premium account + Debit or credit balance of profit & loss account b. Less: Accumulated losses, deferred expenditure, and miscellaneous expenditure not written off Note: Revaluation reserves, write-back of depreciation, and amalgamation reserves are excluded.
10.	Non-Applicability Section 135 does not apply to IFSC public and private companies for 5 years from commencement of business.
11.	Administrative Overheads: The Board shall ensure that administrative expenses do not exceed 5% of the total CSR expenditure.
12.	Surplus from CSR Activities: Any surplus generated from CSR activities shall not be considered business profit and shall be: ✓ Ploughed back into the same CSR project, or ✓ Transferred to the Unspent CSR Account and spent as per CSR Policy & Annual Action Plan, or ✓ Transferred to a Fund in Schedule VII within 6 months of the FY's end.

17. CSR Applicability

	Content
1.	Applicability of CSR Committee (Section 135(1)) Every company that meets any one of the following criteria in the preceding FY: a. Net Worth of ₹500 crore or more b. Turnover of ₹1,000 crore or more c. Net Profit of ₹5 crore or more Shall constitute A CSR Committee with at least 3 directors, including 1 independent director.
2.	a. CSR Committee: ✓ CSR Committee shall have at least 3 directors, including 1 independent director. ✓ If a company is not required to appoint an independent director, the CSR Committee shall have at least 2 directors. ✓ In case of private company with 2 directors, the CSR Committee shall have 2 directors. ✓ In case of foreign company, the CSR Committee shall have at least 2 persons (one as per Sec 380(1)(d) & other nominated by foreign co. b. Disclosure: As per Sec 135(2), the Board's report shall disclose the composition of the CSR Committee. c. Exemption: If the amount to be spent by company u/s 135 does not exceed 50 lakhs, CSR committee is not applicable. In such cases functions of CSR committee shall be discharged by BOD
3.	Applicability to Holding, Subsidiary & Foreign Companies (Rule 3(1)) The CSR provisions apply to: a. Holding & subsidiary companies that meet the criteria u/s 135(1). b. Foreign companies that have a branch office or project office in India and meet the CSR applicability criteria Note: For foreign companies, Net Worth, Turnover, or Net Profit must be calculated based on their balance sheet & profit and loss account prepared as per Sec 381(1)(a) and Sec 198.

18. Duties of CSR Committee in Relation To CSR Activities

	Content
1.	CSR Committee Responsibilities The CSR Committee shall: a. Formulate and recommend a CSR Policy to the Board, specifying the activities the company will undertake as per Schedule VII. b. Recommend CSR Expenditure for the activities mentioned in the CSR Policy. c. Monitor company's CSR Policy.
2.	Annual Action Plan The CSR Committee must recommend an Annual Action Plan to the Board, including: a. List of CSR Projects/Programs to be undertaken as per Schedule VII of the Act. b. The manner of execution of such projects. c. Fund utilization modalities and project timelines. d. Monitoring & Reporting Mechanism for tracking CSR projects. e. Need & Impact Assessment Details, if applicable.

	Flexibility: The Board may alter the plan anytime during the financial year, based on the CSR Committee's recommendation and with reasonable justification.

19. Duties of BOD in Relation to CSR

	Content
1.	Board's Responsibilities for CSR The Board of Directors of a company covered under Section 135(1) must: a. Approve CSR Policy: Based on the CSR Committee's recommendations, the Board must approve the CSR Policy and disclose its contents in the Board's report and place it on the company's website. b. Ensure CSR Implementation: The Board must ensure that the company undertakes activities specified in its CSR Policy.
2.	Mandatory CSR Disclosure on Website The Board must disclose the following on the company's website (if any): ✓ CSR Committee composition ✓ CSR Policy ✓ CSR Projects approved by the Board

20. Minimum amount to be spent for CSR Activities

	Content
1.	The Board of Directors must ensure that the company spends at least 2% of its average net profits as follows: a. For Existing Companies – 2% of the average net profits made during the 3 immediately preceding financial years. b. For New Companies – If a company has not completed 3 FY, the CSR spending is based on the profits of the years completed. Note: Preference should be given to CSR activities in the local area and surrounding regions where the company operates.
2.	Failure to Spend the Required CSR Amount a. If a company fails to spend the required amount, the Board must specify the reasons for not spending in its Board Report. b. Unspent Amount (Other than Ongoing Projects) shall be transferred to a Fund specified in Schedule VII within 6 months of the end of financial year. c. Unspent Amount for Ongoing Projects– ✓ Transfer within 30 days from the end of the FY to a special account called the Unspent CSR Account in a scheduled bank & shall be utilized within 3 financial years for CSR activities. ✓ If not spent within 3 years, it must be transferred to a Fund in Schedule VII within 30 days after the 3rd financial year ends.
3.	Penalties for Non-Compliance If a company fails to comply with Section 135(5) or 135(6), a. Company shall be liable to penalty which is the lower of: ✓ Twice (Amount to be transferred to the Fund in Schedule VII, or Unspent CSR Account amount) or ✓ ₹1 crore. b. Any officer in default is liable to a penalty, the lower of:

	✓ 1/10th (Amount required to be transferred to the Fund in Schedule VII, or Unspent CSR Account) or ✓ ₹2 lakh
4.	Treatment for Excess CSR Expenditure If a company spends more than the required amount u/s 135(5), the excess amount can be set off against future CSR obligations for the next 3 financial years, subject to: ✓ The excess shall not include any surplus generated from CSR activities (as per Rule 7(2)). ✓ The Board must pass a resolution to approve the set-off

21. Implementation of CSR Policy

	Content
1.	The Board must ensure that CSR activities are carried out by: a. The company itself, or b. Through any of the following entities: ✓ A Section 8 company, registered public trust, or registered society (exempt under Section 10(23C) or registered u/s 12A & 80G of the Income Tax Act, 1961), established by the company alone or with other companies. ✓ A Section 8 company, trust, or society established by the CG/SG. ✓ Any entity established under an Act of Parliament or State Legislature. Note: A Section 8 company, trust, or society shall have established track record of at least 3 years in similar CSR activities.
2.	Registration of CSR Entities with CG a. Any entity undertaking CSR activities must register with the Central Government by electronically filing Form CSR-1 with the Registrar, effective April 1, 2021. b. Exemption: CSR projects approved before April 1, 2021 are not affected. c. Form CSR-1 Submission – • Must be signed & submitted electronically. • Must be verified digitally by a CA/CS/CMA. • Upon submission, a unique CSR Registration Number is generated. Note: A company may engage international organizations for designing, monitoring, and evaluating CSR projects, as well as for capacity building of its personnel.
3.	Collaboration with Other Companies A company may collaborate with other companies for CSR projects, provided that the CSR Committees of respective companies can report separately on their CSR contributions as per the rules.
4.	Certification by CFO a. The Board must ensure that CSR funds are utilized for approved purposes. b. The CFO or the person responsible for financial management must certify that CSR funds were properly utilized.
5.	Capital Asset for CSR Activities A company may use CSR funds to create or acquire a capital asset, provided the asset is held by: a. A Section 8 company, Registered Public Trust, or Registered Society with charitable objectives and a valid CSR Registration Number (Rule 4(2)). b. Beneficiaries of the CSR project, such as self-help groups, collectives, or entities. A public authority.

	Note: ✓ Any capital asset created before these rules came into effect must comply within 180 days. ✓ This period may be extended by 90 days with Board approval if reasonable justification is provided.
6.	The CG has the authority to issue general or special directions to any company or class of companies to ensure compliance with CSR provisions.

22. CSR Reporting

	Content
1.	a. The Board's Report for each financial year shall include an Annual CSR Report with details as per Annexure I or Annexure II, as applicable. b. Foreign companies must include an Annual CSR Report in their balance sheet, as filed u/s 381(1)(b) of the Act, with details as per Annexure I or Annexure II.
2.	Impact Assessment a. Companies with an average CSR obligation of ₹10 crore or more (in the last 3 financial years) shall conduct an impact assessment through an independent agency for CSR projects that: • Have outlays of ₹1 crore or more. • Were completed at least 1 year before the impact study. b. The Impact Assessment Report must be placed before the Board and annexed to the Annual CSR Report. c. The cost of impact assessment can be booked as CSR expenditure, but cannot exceed 2% of total CSR expenditure or ₹50 lakh, whichever is higher.

23. Few Important Clarifications By MCA

	Content
1.	Eligible CSR expenditure a. COVID-19 relief qualifies as an eligible CSR activity. b. COVID-19 awareness and public outreach related to vaccination. c. setting up makeshift hospitals and temporary COVID Care facilities. d. Strengthening healthcare Infrastructure to combat COVID-19. e. Research and development (R&D) in science, technology, engineering, and medicine, including support for public-funded universities and research organizations. f. COVID-19 vaccination programs for people other than employees and their families g. 'Har Ghar Tiranga' campaign under Azadi Ka Amrit Mahotsav, which promotes patriotism and awareness about the Indian National Flag. h. Promotion of education related to culture.
2.	Companies, including Government companies, can undertake these activities individually or in collaboration with other companies, ensuring compliance with the Companies (CSR Policy) Rules, 2014 and MCA guidelines.

24. Rights of Members to Copies of Audited Financial Statements

	Content
1.	As per Section 136, companies shall send financial statements, auditor's reports, and other required documents at least 21 days before the general meeting to: a. Every member of the company.

	b. Trustees for debenture-holders of any issued debentures. c. Other entitled persons. Exception for Section 8 Companies: 14-day notice is applicable instead of 21 days.
2.	If documents are sent less than 21 days before the meeting, they are valid only if so agreed by members: a. In case of Companies with Share Capital: Majority of members entitled to vote approve, representing at least 95% of the PUSC with voting rights. b. In case of Companies Without Share Capital: Members holding at least 95% of the total voting power approve. Note: If a company calls a general meeting with shorter notice, it may also circulate financial statements within the same shorter notice period.
3.	For listed companies, compliance with Section 136 is ensured if: a. Financial documents are made available for inspection at the registered office during working hours for at least 21 days before the meeting. b. A statement containing the salient features (AOC-3) or the copies of the documents are sent at least 21 days before the meeting, unless shareholders specifically request the full financial statements. c. Listed companies must publish their financial statements (including consolidated financial statements and all required documents) on their official website.
4.	a. Every listed company with subsidiaries must publish separate audited financial statements for each subsidiary on its website. b. If a listed company has a foreign subsidiary, the following rules apply: If the foreign subsidiary must prepare consolidated financial statements under its country's law, The consolidated financial statement of the foreign subsidiary must be published on the listed company's website. c. If the foreign subsidiary is not required to be audited under its country's law: ✓ The Indian listed company may publish unaudited financial statements on its website. ✓ If these financial statements are in a language other than English, an English-translated copy shall also be uploaded. d. Format of Foreign Subsidiary Accounts: ✓ The financial statements should follow the Companies Act, 2013 format as much as possible. ✓ If compliance is not possible, the company must provide a statement explaining the deviation along with the accounts.
5.	Nidhi Companies a. As per Section 136(1), Nidhi Companies must comply with modified rules for members who: ✓ Hold shares of face value up to ₹1,000 OR ✓ Own up to 1% of the total paid-up share capital, whichever is lower. b. For Small shareholders, compliance is fulfilled if: ✓ A public notice is published in a newspaper circulated in the district where the Registered Office is located, stating: ▪ Date, time, and venue of the AGM. ▪ Information that the financial statement and enclosures can be inspected at the registered office. ✓ The financial statement and enclosures are displayed on the company's notice board. ✓ Members can vote in person or through proxy at the AGM.

6.	Penalty for Non-Compliance If a company fails to comply with Section 136, the penalties are: ✓ Company Penalty: ₹25,000 ✓ Officer in Default Penalty: ₹5,000

25. Manner of Circulation of Financial Statements

	Content
1.	Mode of Sending Financial Statements In case of all listed companies and Public companies with Net worth exceeding ₹1 crore and Turnover exceeding ₹10 crore the FS and other related documents shall be sent through a. Electronic mode ✓ For members holding shares in dematerialized format, whose email IDs are registered with the Depository. ✓ For members not holding shares in dematerialized format, provided they have given written consent. b. Physical dispatch – In all other cases, using any recognized mode of delivery under Section 20 of the Act.

26. Filing of Financial Statements.

	Content
1.	a. Every Company shall file financial statements along with all required documents duly adopted at AGM with the ROC within 30 days of the AGM. b. Forms ✓ AOC-4: FS and other required documents ✓ AOC-4 CFS: Consolidated FS ✓ AOC-4 NBFC (Ind AS): NBFC to file Standalone financial statements with ROC ✓ AOC-4 CFS NBFC (Ind AS): NBFC to file Consolidated financial statements with ROC
2.	XBRL Filing Requirement a. As per Rule 1 of the Companies (Filing of Documents and Forms in XBRL) Rules, 2015, the following companies must file their financial statements in XBRL format using e-Form AOC-4 XBRL: ✓ Companies listed on stock exchanges in India and their Indian subsidiaries. ✓ Companies with PUSC of ₹5 crore or more. ✓ Companies with turnover of ₹100 crore or more. ✓ Companies required to follow Ind AS as per Companies (Ind AS) Rules, 2015. b. Companies following AS Rules, 2006 must use the taxonomy provided in Annexure-II. c. Companies following Ind AS (2015) must use the taxonomy provided in Annexure-II A. d. Once a company starts reporting in XBRL format, it must continue using XBRL format in future years, even if it no longer meets the filing criteria. Note: Every company covered u/s 135 CSR Shall furnish a report on CSR in Form CSR-2 as an addendum to the applicable form.
3.	Exemptions from XBRL Filing The following companies are exempt from filing financial statements in XBRL format: a. Non-Banking Financial Companies (NBFCs) b. Housing Finance Companies c. Companies in the Banking and Insurance sector

4.	Filing of Unadopted Financial Statements a. If FS are not adopted at the AGM or adjourned AGM, such unadopted FS shall be filed with the ROC within 30 days of the AGM. b. The ROC will record them as provisional until the adopted financial statements are filed after the adjourned AGM. c. If the FS are adopted in the adjourned AGM, such adopted FS shall be filed within 30 days of that meeting, with applicable fees or additional fees.
5.	Filing by One Person Company (OPC) OPC shall file its financial statements, duly adopted by its sole member, within 180 days from the end of the FY, along with all required documents.
6.	Filing for Companies with Foreign Subsidiaries a. A company with subsidiaries incorporated outside India (which do not have a place of business in India) must attach their financial accounts when filing its own financial statements. b. If the foreign subsidiary is not required to be audited under its local law and does not conduct an audit: ✓ The Indian holding company must file its unaudited financial statements, along with a declaration stating this. ✓ If the financial statements are in a language other than English, a translated copy in English must also be submitted. c. The format of foreign subsidiary accounts should, as far as possible, follow the Companies Act, 2013. d. If compliance is not possible, the company shall file a statement explaining the deviation along with the accounts
7.	Filing Requirements If AGM Is Not Held a. If a company fails to hold its AGM in any year, ✓ It must still file its FS along with all required documents. ✓ A statement explaining the reasons for not holding the AGM. b. Filing with the ROC within 30 days from the last date by which AGM should have been held.
8.	Penalties for Non-Compliance (Sec 137(3)) a. On the Company: ₹10,000 + ₹100 per day for continuing failure, up to ₹2,00,000. b. On Responsible Officers: ₹10,000 fine + ₹100 per day for continuing failure, up to ₹50,000.

27. Internal Audit

Content	
1.	Applicability of Internal Audit The following companies shall appoint an internal auditor, who can be an individual, partnership firm, or body corporate: a. Listed Companies. b. Unlisted Public Companies (if meeting any of these criteria in the preceding FY): ✓ PUSC of ₹50 crore or more. ✓ Turnover of ₹200 crore or more. ✓ Outstanding loans or borrowings from banks or public financial institutions of ₹100 crore or more at any point during preceding year. ✓ Outstanding deposits of ₹25 crore or more at any point during preceding year.

	c. Private Companies (if meeting any of these criteria in the preceding FY): ✓ Turnover of ₹200 crore or more. ✓ Outstanding loans or borrowings from banks or public financial institutions of ₹100 crore or more at any point in the year. Note: For IFSC Public & Private Companies: Internal audit applies only if specified in the company's AOA.
2.	Scope and Functioning of Internal Audit The Audit Committee or Board of Directors, in consultation with the Internal Auditor, shall define: a. Scope of the audit. b. Functioning and methodology. c. Audit frequency (periodicity).
3.	Who Can Be an Internal Auditor? a. The Internal Auditor may be: ✓ CA or CMA or ✓ Any other professional as decided by the Board. b. The CA or CMA may be in practice or not. c. The Internal Auditor can be an employee or an external professional.

10. AUDIT AND AUDITORS

1. Qualifications to become Company Auditor

	Content
1.	Qualifications of Company Auditor (Sec. 141(1)) a. An Individual is eligible for appointment as an auditor only if he is a CA. b. A firm/LLP is also eligible for appointment as an auditor where majority of partners are CA and are practicing in India.
2.	Signing Authority If a Firm/LLP is appointed as an auditor, the partner in practice shall sign the audit report on behalf of the firm.

2. Disqualifications of a Company's Auditor (Sec 141(3))

	Content
1.	The following persons are not eligible for appointment as an auditor of a company even though they possess chartered accountancy qualification: a. A Body corporate other than LLP. b. An Officer or Employee of the company. c. A person who is a Partner or employee of an officer or employee of the company. d. A person who, or his relative or partner: ✓ Is holding any security or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company. Exception: ▪ The relative of the auditor may hold security or interest in the company (CASH+SH) for an amount not exceeding a face value of Rs 1,00,000. ▪ If the relative acquires any security or interest above 1 lakh, the corrective action to maintain the limits shall be taken by the auditor within 60 days of such acquisition or interest ✓ Is indebted to the company or the group companies in excess of Rs 5,00,000. ✓ Has given a guarantee or provided any security on behalf of any third person to the Company or the group companies in excess of Rs 1,00,000. e. A person or a firm (including LLP) who, whether directly or indirectly, has business relationship with the Company (CASH + SH + Associate of Holding Co.), Exceptions: The term "Business relationship" includes any transaction entered for commercial purpose except: ✓ Professional services permitted to be rendered by an auditor or audit firm. ✓ Transactions which are in the ordinary course of business of the company at arm's length price f. A person whose relative is a Director or is in the employment of the Company as a director or KMP. g. A person who is in full time employment elsewhere. or A person or partner of a firm holding appointment of more than 20 company audits as on the date of proposed appointment. Note:

	✓ OPC, Small Company, Dormant Company and Private Company with PUSC < 100 Crores (no default u/s 92 or 137) are excluded while counting the limit of 20 companies. ✓ In case of firm, the limit of 20 shall be considered for each partner. h. A person who has been convicted by a Court of an offence involving fraud and a period of 10 years has not elapsed from the date of such conviction. Note: If such conviction is held by tribunal then prohibition is only for 5 years. i. Any person who directly or indirectly renders any services as specified in section 144 to the company, its holding company or its subsidiary company.
2.	Subsequent Disqualification after Appointment Where a person appointed as an auditor of a company incurs any of the disqualifications mentioned above after his appointment, he shall vacate immediately his office as auditor and such vacation shall be deemed to be a casual vacancy in the office of the auditor.
3.	Note a. Officer includes Director, Manager, KMP, Shadow Directors. b. Relative: Anyone who is related to another, if ✓ They are members of a HUF. ✓ They are husband and wife. ✓ One person is related to the other in the manner as given below: Father (including step- father), Mother (including step-mother), Brother (including step- brother), Sister (including step- sister), Son (including step- son), Son's wife, Daughter, Daughter's husband. c. The term "directly or indirectly" shall include rendering of services by the auditor: In case of individual auditor: ✓ Either himself or his relative or any other person connected or associated with such individual or ✓ Through any other entity, whatsoever, in which such individual has significant influence or control, or whose name or trademark or brand is used by such individual. In case of firm [including LLP]: ✓ Either itself or any of its partners or through its parent, subsidiary or associate entity or ✓ Through any other entity, whatsoever, in which the firm or any partner of the firm has significant influence or control, or whose name or trademark or brand is used by the firm or any of its partners.

3. Prohibited Services (Sec 144)

	Content
1.	An auditor of a company (including its holding or subsidiary company) cannot provide the following prohibited services: a. Accounting & Bookkeeping Services b. Internal Audit c. Design & Implementation of Financial Information Systems d. Actuarial Services e. Investment Advisory Services

	f. Investment Banking Services g. Outsourced Financial Services h. Management Services i. Any other services as prescribed by law
2.	Impact on Auditor Appointment a. If a person engages in any of the above services, they cannot be appointed as an auditor for the same company or group companies. b. However, if the proposed auditor withdraws from providing these services, they become eligible for appointment after withdrawal.

4. Provisions Relating to Audit Committee & Selection Process of The Company Auditor

	Content
1.	Applicability of Audit Committee The following companies shall constitute an Audit Committee: a. Listed Companies b. Public Companies that meet any of the following criteria: ✓ PUSC > ₹10 crore ✓ Turnover > ₹100 crore ✓ Outstanding loans, borrowings, debentures, or deposits > ₹50 crore Note: a. The above limits are considered as per the preceding audited balance sheet date. b. If a company ceases to fulfil any of 3 conditions for 3 consecutive FY - Audit Committee Not Applicable
2.	Composition of Audit Committee ✓ The Audit Committee shall have a minimum of 3 directors. ✓ The majority shall be Independent Directors. ✓ Members shall be capable of reading and understanding FS.
3.	Manner & Procedure for Selection and Appointment of Auditors [Sec. 139(11)] a. If an Audit Committee exists, it selects the auditor (including in case of a casual vacancy) and recommends the appointment to the BOD. b. If no Audit Committee exists, The BOD selects the auditor on an appropriate basis. c. If the BOD agrees with the Audit Committee's recommendation, it further recommends the proposal to the members at the AGM. d. If the BOD disagrees with the Audit Committee's recommendation, it sends it back for reconsideration. e. If the Audit Committee does not change its recommendation after the BOD's reconsideration request, it informs the BOD of its decision. f. Final Decision by BOD & Members – ✓ The BOD can still recommend an auditor of its own choice, while recording reasons for disagreement with the Audit Committee. ✓ Members at the AGM take the final decision on the appointment of the auditor.
4.	Auditor Selection a. The Audit Committee or Board of Directors (BOD) shall consider the company's size and requirements while selecting an auditor with relevant experience and qualifications suitable for the company's complexities.

	b. Before appointing an auditor, the Audit Committee or BOD shall review any pending cases, disciplinary actions, or professional misconduct proceedings against the auditor before ICAI or any competent authority or any Court c. Voluntary Audit Committee & Its Recommendations – ✓ If a company is not required to constitute an Audit Committee u/s 177 but chooses to do so voluntarily, the committee may recommend a new auditor when the existing auditor's term expires. ✓ However, in such cases, the BOD is not bound to accept the recommendation and may choose its own auditor.
5.	Before appointment, the company shall obtain from the proposed auditor: 1. Written consent of such auditor for the appointment. 2. A declaration that the auditor is eligible for appointment and not disqualified. 3. A confirmation that the auditor's total company audits (including the proposed appointment) do not exceed the legal limit. 4. A list of pending proceedings against the auditor, their partner, or firm must be disclosed appropriately.

5. Appointment of Auditor of a Company

	Content
1.	Appointment of First Auditor a. In Case of a Non-Government Company ✓ The BOD shall appoint the first auditor within 30 days from the company's incorporation. ✓ If the BOD fails to appoint an auditor, Members of the company will appoint the auditor within 90 days at an EGM. ✓ The appointed auditor holds office until the conclusion of the first AGM. b. In Case of a Government Company ✓ The CAG shall appoint the first auditor within 60 days from the company's incorporation. ✓ If CAG fails to appoint an auditor, the BOD shall appoint within the next 30 days. ✓ If the BOD also fails, then Members of the company will appoint the auditor within 60 days at an EGM. ✓ The appointed auditor holds office until the conclusion of the first AGM.
2.	Appointment of Subsequent Auditors a. In Case of Non-Government Companies ✓ Every company shall appoint an individual or a firm as an auditor at the AGM. ✓ The appointed auditor holds office from the conclusion of that AGM till the 6th AGM and thereafter till the conclusion of every 6th AGM. b. In Case of Government Companies ✓ The CAG shall appoint a CA in practice within 180 days from the start of the FY. ✓ The appointed auditor holds office until the conclusion of the next AGM. Note: If no auditor is appointed or reappointed at an AGM, the existing auditor continues in office.

3.	Intimation to Authorities a. The company shall file a notice (Form ADT-1) of the auditor's appointment with the ROC within 15 days of the AGM. b. Intimation by Existing Body Corporates Existing body corporates, other than companies governed by NFRA Rules, shall inform the NFRA (Form NFRA-1) within 30 days of NFRA Rules commencement. c. Intimation by Newly Appointed Auditors ✓ Body corporates (other than companies under Sec. 2(20)) governed by NFRA Rules shall inform NFRA (Form NFRA-1) within 15 days of appointing an auditor. ✓ Prescribed body corporates under NFRA Rules shall also submit auditor details in Form NFRA-1.

6. Powers of C&AG

	Content
1.	Supplementary Audit a. The C&AG shall within 60 days from the date of receipt of the audit report have a right to: ✓ Conduct a supplementary audit of the FS of the company by such person as he may authorize in this behalf and ✓ Comment upon or supplement such audit report. b. Any comments by C&AG shall be ✓ sent to Company members, Debenture trustees (if debentures are issued), Other entitled persons. ✓ presented at the AGM, in the same manner and time as the audit report.
2.	Test Audit a. C&AG may order a Test Audit of company accounts u/s 139(5)/(7) if deemed necessary.

7. Casual Vacancy Arising in the office of an Auditor

	Content
1.	Meaning of Casual Vacancy A casual vacancy arises when an auditor's office becomes vacant before their term expires, for reasons other than the completion of their tenure.
2.	Casual Vacancy in a Non-Government Company a. If the vacancy is not due to resignation, The BOD shall fill the vacancy within 30 days, based on the Audit Committee's recommendation (if applicable). b. If the vacancy is due to resignation – ✓ The BOD shall appoint a new auditor. ✓ The appointment shall be approved by the members at a general meeting held within 3 months of the BOD's recommendation.
3.	Casual Vacancy in a Government Company a. The C&AG shall fill the vacancy within 30 days. b. If C&AG fails to do so, the BOD shall appoint an auditor within the next 30 days.

4.	Tenure An auditor appointed to fill a casual vacancy holds office until the conclusion of the next AGM.

8. Duties of an Auditor in Case Of Resignation

	Content
1.	Duties of Auditor in case of resignation a. A resigning auditor shall file Form ADT-3 with the Company, the ROC within 30 days of resignation. b. In the case of a Government Company, the auditor shall also inform the C&AG.
2.	The resignation statement shall include reasons for resignation, any relevant facts concerning the resignation.
3.	Penalty for Non-Compliance Failure to comply attracts a fine of: ✓ Minimum ₹50,000 or the auditor's remuneration (whichever is lower) ✓ ₹500 per day for continuing failure ✓ Maximum penalty: ₹2,00,000

9. Rotation of An Auditor

	Content
1.	Applicability of Rotation of Auditors a. Listed Companies b. Unlisted Public Limited Companies if they meet either condition: ✓ PUSC of ₹10 crore or more ✓ Borrowings from PFIs, Banks, or Public Deposits of ₹50 crore or more c. Private Limited Companies if they meet either condition: ✓ PUSC of ₹50 crore or more ✓ Borrowings from PFIs, Banks, or Public Deposits of ₹50 crore or more Exemptions: a. One Person Companies and Small Companies are exempt. b. Government Companies are not required to follow rotation.
2.	Manner of Rotation a. Rotation Requirement: ✓ An individual auditor cannot be appointed or reappointed for more than one term of 5 consecutive years. ✓ An audit firm cannot be appointed or reappointed for more than two terms of 5 consecutive years (total 10 years). b. Cooling Period: ✓ After completing the maximum term (5 years for individuals, 10 years for firms), the auditor is not eligible for reappointment in the same company for 5 years. c. Principles of Auditor Rotation ✓ If there is a common partner(s) between the outgoing and incoming auditor's firm, the incoming auditor is not eligible for appointment for 5 years.

	✓ If the incoming auditor and outgoing auditor belong to the Same Network, the incoming auditor is not eligible. Note: "Same Network" refers to firms operating under the same brand name, trade name, or common control. ✓ If a partner who was in charge of an audit firm and certified the financial statements of a company retires and joins another CA firm, that new firm cannot be appointed as auditor for 5 years.
3.	Special Points a. Members of the company may decide that within an appointed audit firm, the auditing partner and team shall rotate at intervals decided by the members. b. The company may decide to have the audit conducted by more than one auditor. c. Computation of Rotation Period ✓ The period before the Co. Act, 2013 also counts toward the rotation limit. ✓ Auditor's tenure under the Co. Act, 1956, is included when calculating the 5-year or 10-year terms.

10. Removal of Auditor of a Company Before Expiry of His Term

Procedure for Removal of Auditor Before Expiry of Term [Sec. 140(1)]	
1.	Board Resolution BOD shall pass a resolution to remove the auditor before the expiry of their term.
2.	Approval from CG The company shall apply for CG approval using Form ADT-2 within 30 days of passing the Board Resolution.
3.	Special Resolution a. After receiving CG approval, the company shall hold a General Meeting within 60 days. b. Members shall pass a Special Resolution for removal of the auditor.
4.	Right to Be Heard (Audi Alteram Partem) a. Before removal, the auditor shall be given an opportunity to present their case. b. "Audi Alteram Partem" (Latin for "Let the other side be heard") is a principle of natural justice, ensuring fair hearing before action is taken.
5.	Special Provision for IFSC Companies a. In case of a Specified IFSC Public or Private Company, if the CG does not respond within 60 days of the application, it is deemed approved. b. The company shall then appoint a new auditor within 3 months from the expiry of the 60-day period.

11. Removal of Auditor By Tribunal U/S 140(5)

Procedure for Removal of Auditor Before Expiry of Term [Sec. 140(1)]	
1.	Who Can Apply for Removal? a. The Tribunal (on its own) b. The Central Government c. Any Concerned Person

2.	Application to Whom? The application shall be submitted to the Tribunal.
3.	Procedure for Removal a. Fraudulent Conduct by Auditor ✓ If the Tribunal is satisfied that an auditor has acted fraudulently or colluded in fraud with the directors or officers of the company, ✓ It may direct the company to change its auditor. b. Application by CG ✓ If the CG applies for auditor removal and the Tribunal agrees, ✓ The Tribunal shall make an order that he shall not function as an auditor within 15 days of receiving the application. c. The CG may then appoint a new auditor.
4.	Prohibition on Further Appointments a. Disqualification for 5 Years ✓ If a final order is passed by the Tribunal, the auditor (individual or firm) cannot be appointed as an auditor for ANY company for 5 years. ✓ The auditor will also face penalties under Section 447 (fraud-related penalties). b. Liability of the Firm & Partners ✓ If the fraud was committed by a firm, the entire firm is liable. ✓ Every partner involved in fraud, abetment, or collusion will also be held responsible. c. If the conviction comes from a court, the prohibition period extends to 10 years.

12. Appointment of Auditor Other Than Retiring Auditor

Procedure to Appoint an Auditor Other Than the Retiring Auditor [Sec. 140(4)]	
1.	Special Notice Requirement A special notice is required for a resolution at the AGM to: a. Appoint a new auditor instead of the retiring auditor, OR b. State explicitly that the retiring auditor shall not be reappointed.
2.	Notifying the Retiring Auditor Upon receiving the special notice, the company shall immediately send a copy to the retiring auditor for their representation.
3.	Retiring Auditor's Right to Representation a. The retiring auditor may submit a written representation addressing the special notice. b. The auditor may request the company to circulate the representation to members.
4.	Circulation of Representation The company shall send a copy of the representation to all members along with the notice of the meeting.
5.	Right to Have Representation Read at the Meeting a. If the company fails to circulate the representation (due to late receipt or company default), the auditor can request that it be read out at the AGM. b. If the representation is not sent, a copy shall be filed with the ROC.

6.	Prohibition on Right to Representation a. If the Tribunal believes that the auditor is abusing their right to representation, it can order that the representation shall not be sent or read out at the AGM. b. The application for such an order can be made by the company or any aggrieved person. Exemption: This provision does not apply if the retiring auditor has completed their mandatory rotation period of 5 years (individual auditor) or 10 years (audit firm) under Sec. 139(2).

13. Powers of An Auditor as per sec. 143(1)

	Content
1.	Access to Books a. Unrestricted Access to Books & Vouchers ✓ The auditor has the right to access the books of account and vouchers of the company at all times. ✓ This applies whether records are kept at the registered office or any other location, including branches. ✓ The auditor can exercise this right only during working days and business hours. b. The auditor has access to the books of accounts of subsidiary and associate companies for consolidated financial statements. c. The auditor can also access Board meeting minutes, MIS reports, Other relevant records required for the audit.
2.	Right to Obtain Information & Explanation a. The auditor has the right to obtain any information and explanations necessary for performing their duties. b. This information can be obtained from officers or employees of the company.
3.	Right to Receive Notices & Duty to Attend General Meetings [Sec. 146] a. Auditors have the right to: ✓ Receive notices of all General Meetings. ✓ Attend any General Meeting. b. Auditors also have a duty to attend General Meetings. c. The auditor shall attend any general meeting either by himself or through his authorised representative, who shall be qualified to be an auditor unless otherwise exempted by the company.
4.	Right to Report to Members on Examined Accounts a. Auditor's Reporting Obligation ✓ The auditor shall prepare a report for the members of the company. ✓ This report is based on the accounts examined and FS that shall be presented at the General Meeting. b. The auditor shall consider: ✓ Provisions of the Companies Act ✓ Accounting and Auditing Standards ✓ Matters required by law or under Sec. 143(11) c. Expression of Opinion

	✓ The auditor shall provide an opinion on the FS based on his examination, best of his knowledge and information. ✓ The report shall state whether: ▪ The FS give a true and fair view of the company's financial position at the end of the year. ▪ The profit or loss and cash flow are accurately represented. d. Any other prescribed matters have been addressed.

14. Duties of An Auditor

	Content
1.	Duty to Report [Sec. 143(2)] a. The auditor shall report to the members on Accounts examined by him FS to be presented at the General Meeting. b. The audit report shall state whether the FS provide a true and fair view of: ✓ The Company's financial position at the end of the financial year. ✓ The Profit or Loss for the year. ✓ The Cash Flow Statement for the year. c. The auditor shall prepare the report in accordance with: ✓ Companies Act provisions ✓ Accounting and Auditing Standards d. If the auditor includes any qualifications or remarks in the report, they shall provide reasons for such observations.
2.	Additional Reporting Requirements in the Auditor's Report The auditor's report shall also include the following statements: a. Information & Explanations Sought ✓ Whether the auditor has obtained all necessary information for the audit. ✓ If not, details of missing information and its effect on FS. b. Proper Books of Account Maintained ✓ Whether, in the auditor's opinion, the company has maintained proper books of account as required by law. ✓ Whether the audit returns from branches (not visited by the auditor) were adequate for the audit. c. Branch Audit Reports ✓ Whether the auditor has received reports from branch auditors (if applicable). ✓ How the auditor has considered those reports in preparing the audit report. d. Whether the Balance Sheet and Profit & Loss Account agreement with the books of account and returns. e. Whether the financial statements comply with Accounting Standards. f. Any observations or comments on financial transactions that negatively affect the company. g. Whether any director is disqualified from being appointed u/s 164(2). h. Any qualifications, reservations, or adverse remarks related to the maintenance of accounts. i. Internal Financial Controls ✓ Whether the company has adequate internal financial controls related to FS.

	✓ Whether such controls are effective. j. U/s 143(3) (j), the auditor's report shall also include views and comments on the following: ✓ Whether the company has disclosed the impact of any pending litigations on its financial position in the FS. ✓ Whether the company has made provisions for foreseeable material losses on long-term contracts, including derivative contracts, as per legal and accounting standards. ✓ Whether there has been any delay in transferring amounts to the IEPF as required by law. ✓ Whether the management has confirmed that, to the best of its knowledge: ▪ The company has not advanced, loaned, or invested funds (from borrowed funds, share premium, or other sources) to any intermediaries with an understanding that they will further lend or invest in other entities (Ultimate Beneficiaries). ▪ The company has not received funds from any funding parties with an understanding that the company will invest or lend the amount to other Ultimate Beneficiaries. ▪ The auditor has not found any material misstatements in the company's representations regarding the above transactions. ✓ Whether the dividends declared or paid during the year comply with Sec 123. ✓ Whether the company is using accounting software with an audit trail (edit log) feature for maintaining books of account. ✓ Whether the audit trail feature was operated throughout the year, was not tampered with, and was preserved as per statutory requirements.
3.	Duty to Sign the Audit Report [Sec. 145] a. The appointed auditor shall sign: ✓ The audit report, ✓ Any other document requiring certification. b. Any qualifications, observations, or adverse comments in the audit report shall be read out at the General Meeting. c. Audit Report shall be open for inspection by any company member.
4.	Duty to Comply with Auditing Standards a. Every auditor shall follow the prescribed auditing standards. b. The CG may issue auditing standards based on recommendations made by ICAI in consultation with NFRA. c. Until standards are notified by CG, the auditing standards set by ICAI shall apply.
5.	Duty to Attend General Meetings [Sec. 146] a. Auditors must receive notice of all General Meetings, even if financial statements are not being discussed. b. The auditor must attend the General Meeting: ✓ In person, or ✓ Through an authorized representative (who must be qualified to be an auditor).

15. Reporting on fraud identified by the auditor (Sec. 143(12))

	Content
1.	If the Fraud Amount is ₹1 Crore or More a. If the auditor believes that a fraud of ₹1 crore or more has been committed or is being committed by company officers or employees, they shall report it to the CG. b. Manner of Reporting ✓ The auditor shall first report the fraud to the BOD or Audit Committee within 2 days of becoming aware of it. ✓ The BOD/Audit Committee shall reply within 45 days with their observations or response. ✓ Upon receiving the Board/Audit Committee's reply, the auditor shall send a report to the CG within 15 days. ✓ The report shall include: ▪ The original fraud report ▪ The BOD/Audit Committee's reply ▪ Auditor's comments on their reply ✓ If the auditor does not receive a reply within 45 days, they shall directly report to the CG, along with a note stating that no reply was received. ✓ The report shall be on the auditor's letterhead, including Postal address, Email ID, Contact number (phone/mobile) ✓ The auditor shall sign the report with their seal and mention their Membership Number. ✓ The report must be submitted in Form ADT-4.
2.	If the Fraud Amount is Less Than ₹1 Crore a. If the auditor suspects a fraud of less than ₹1 crore, they shall report it to: ✓ The Audit Committee (if constituted under Sec. 177), OR ✓ The Board of Directors (BOD) (if no Audit Committee exists). b. The report must be submitted within 2 days of discovering the fraud. c. Report must include: ✓ Nature of fraud (with a brief description). ✓ Approximate amount involved. ✓ Parties involved. d. The Board's Report shall include details of each fraud reported to the Audit Committee or BOD, including: ✓ Nature of fraud (with description). ✓ Approximate amount involved. ✓ Parties involved. ✓ Remedial actions taken.
3.	Other Related Provisions a. The auditor need to report about this matter appropriately in their CARO. b. If the auditor reports fraud in good faith, they will not be considered in violation of their professional duties. c. The fraud reporting rules also apply to: ✓ Cost Auditors u/s. 148.

	✓ Secretarial Auditors u/s. 204. d. Penalties for Non-Compliance ✓ If an auditor, cost accountant, or company secretary fails to report fraud: ▪ In case of Listed Company – Penalty of ₹5 lakh. ▪ In case of Other Companies – Penalty of ₹1 lakh.

16. Audit of Branch Office Accounts with sec. 143(8)

	Content
1.	Who Can Be Appointed as a Branch Auditor? a. If a company has a branch office, its accounts must be audited by: ✓ The company's auditor, or ✓ A CA with a Certificate of Practice. b. For a branch office located outside India: The accounts must be audited by: ✓ The company's auditor, or ✓ An accountant in that country, or ✓ Any person qualified to act as an auditor under the laws of that country.
2.	Who Can Appoint Branch Auditors? a. Branch auditors are usually appointed by the Members. b. However, members may delegate this power to the BOD.
3.	Reporting Requirements of Branch Auditors a. The branch auditor shall prepare a report on the branch's accounts. b. The branch auditor shall submit this report to the company's auditor. c. The same reporting requirements u/s 143(1), (3), (11), and (12) apply to branch auditors, ensuring compliance with general audit procedures disclosure of fraud, qualifications, and other relevant matters.

17. Auditor's Remuneration

	Content
1.	Approval of Remuneration The remuneration of the auditor shall be fixed in the GM or as determined therein
2.	Remuneration of First Auditor If the BOD appoints the first auditor, it can also fix their remuneration.
3.	Components of Remuneration a. The remuneration includes: ✓ Audit fee. ✓ Expenses incurred during the audit. ✓ Facilities provided to the auditor by the company. b. Exclusion of Other Services Remuneration does not include payment for any other service provided by the auditor at the company's request.

18. Cost Records & Cost Audit

	Content
1.	As per Rule 3 of the Companies (Cost Records and Audit) Rules, 2014, prescribed companies shall maintain cost records in their books of account u/s 148(1) a. Who Needs to Maintain Cost Records? ✓ Companies (including foreign companies) engaged in producing goods or providing services listed in: Table A (6 Regulated Sectors) Table B (33 Non-Regulated Sectors) ✓ Companies with a total turnover of ₹35 crore or more in the previous FY. b. Authority & Consultation ✓ CG may direct these companies to maintain cost records for materials, labor, and other cost elements. ✓ If a company operates under a special Act, the regulatory body of that Act shall be consulted before issuing such an order. c. Exemption: Rule 3 does not apply to companies classified as micro or small enterprises, including those meeting the turnover criteria u/s 7(9) of the MSME Development Act, 2006.
2.	Cost Audit a. Authority CG may order a cost audit for companies required to maintain cost records if they meet the prescribed net worth or turnover criteria. b. Cost audit u/s 148 is in addition to the statutory audit u/s 143. c. Before submission to the cost auditor, cost statements and related documents shall be: ✓ Approved by the Board of Directors ✓ Signed by an authorized director on behalf of the Board.
3.	Cost Auditor a. Who Can Be Appointed as a Cost Auditor? ✓ Only a Practicing Cost Accountant can be appointed as a cost auditor. ✓ This includes Firms of Cost Accountants and LLPs of Cost Accountants. b. Restriction on Company Auditors ✓ A person appointed as a statutory auditor u/s 139 cannot be appointed as a cost auditor for the same company.

4.	Cost Auditor: a. Applicability of Company Auditor Rules ✓ The qualifications, disqualifications, rights, duties, and obligations of company auditors also apply to cost auditor's u/s 148. ✓ The company shall provide all necessary assistance and facilities to the cost auditor for auditing cost records. b. Submission of Cost Audit Report The cost audit report shall be submitted to the BOD. c. Compliance with Cost Auditing Standards The cost auditor shall follow cost auditing standards issued by the ICMAI and approved by the CG.
5.	a. Cost Audit Report Submission ✓ Within 30 days of receiving the cost audit report, the company shall submit it to the CG along with explanations for any reservations or qualifications in the report. ✓ If the CG requires further clarification, the company shall provide additional information within the specified time. b. Penalties for Non-Compliance ✓ Company & Officers in Default: Punishable as per Sec 147(1). ✓ Cost Auditor in Default: Punishable as per Sec 147(2) to 147(4).

19. Circumstances the Retiring Auditor Cannot Be Reappointed

	Content
1.	A retiring auditor cannot be reappointed in the following cases: a. The proposed auditor does not meet the qualifications u/s. 141. b. The auditor is disqualified under Sec. 141(3), 141(4), or Sec. 144. c. The auditor has given written notice stating they do not wish to be reappointed. d. The auditor has not provided a written certificate confirming that the appointment/reappointment is within the limits specified under Sec. 141(3)(g). e. A resolution has been passed at the AGM either: ✓ Appointing another auditor, OR ✓ Explicitly stating that the retiring auditor will not be reappointed.
2.	If no auditor is appointed or reappointed at the AGM, the existing auditor continues in office.

20. Penalty for Non-Compliance

	Content
1.	If a company violates any provision of Sections 139 to 146 1. Penalty on the Company: fine between ₹25,000 and ₹5,00,000. 2. Penalty on Officers in Default: fine between ₹10,000 and ₹1,00,000.
2.	If an auditor violates Sec. 139, 143, 144, or 145, they shall be subject to the following penalties:

	a. Unintentional Contravention Fine of: ✓ Minimum ₹25,000 and ✓ Maximum ₹5,00,000, OR 4 times the auditor's remuneration, Whichever is lower. b. Intentional Contravention (Fraudulent Acts) If the auditor willfully violates provisions to deceive the company, shareholders, creditors, or tax authorities, they shall face: ✓ Imprisonment of up to 1 year, AND ✓ Fine of: ▪ Minimum ₹50,000 and ▪ Maximum up to ₹25,00,000, OR 8 times the auditor's remuneration, Whichever is lower.
3.	Additional Liabilities for Fraudulent Auditors a. If an auditor is convicted for fraudulent practices, they must: ✓ Refund any remuneration received to the company. ✓ Pay damages to the company, regulatory bodies, members, or creditors for losses caused by misleading audit reports. b. Civil & Criminal Liability for Audit Firms If partners of an audit firm are found guilty of fraud, abetment, or collusion, the liability is jointly and severally on guilty partners, The audit firm. c. Criminal Liability on Individual Partner(s) Only In criminal cases, only the partner(s) involved in fraud will face penalties other than fines.

21. NFRA & Auditor

	Content
1.	Monitoring & Enforcing Compliance with Auditing Standards The NFRA has the power to monitor and enforce compliance with auditing standards for companies and bodies corporate governed under Rule 3. NFRA's Powers & Functions: a. Audit Review & Supervision ✓ Examine audit working papers, audit plans, and related communications. ✓ Assess quality control systems and documentation maintained by auditors. ✓ Conduct tests and supervisory reviews of audit procedures. b. Additional Requirements from Auditors ✓ Demand a report on governance, internal processes, and audit risk management. ✓ Seek additional information or personal presence of the auditor. ✓ Submit a separate confidential report to the Central Government if necessary. ✓ Initiate investigation or enforcement actions if there is reason to believe a violation of laws or standards. c. Publication of Findings ✓ NFRA shall publish non-compliance findings on its website unless it is against the public interest (with recorded reasons). ✓ It shall not disclose proprietary or confidential information unless necessary in the public interest.

2.	Overseeing Audit Quality & Suggesting Improvements NFRA oversees audit quality and directs necessary improvements. a. Directing Audit Quality Improvements ✓ NFRA may require auditors to enhance audit processes, quality control, and audit reports within a specified time frame. ✓ Auditors must implement changes and submit a compliance report to NFRA. ✓ NFRA will monitor progress and take appropriate action. b. Collaboration with Other Bodies ✓ NFRA may refer cases to the Quality Review Board (QRB) under the Chartered Accountants Act, 1949. ✓ It may seek reports or information from QRB on auditors and companies. ✓ NFRA may take expert assistance for oversight activities.
3.	Filing of Returns with NFRA (Rule 5, NFRA Rules, 2018) Auditors of companies and bodies corporate governed by NFRA shall file Form NFRA-2 by 30th November every year.

11. COMPANIES INCORPORATED OUTSIDE INDIA

1. Foreign Company

	Content
1.	Foreign Company [Sec 2(42)] Foreign company means any company or body corporate incorporated outside India which- a. has a place of business in India whether by itself or through an agent, physically or through electronic mode; and b. conducts any business activity in India in any other manner.
2.	Electronic Mode refers to conducting business electronically, regardless of whether the main server is in India or not. It includes: a. Digital Transactions: Business-to-business (B2B) and business-to-consumer (B2C) transactions, data interchange, and digital supply transactions. b. Financial Services: Accepting deposits, inviting deposits, accepting subscriptions in securities, or offering financial services to Indian citizens. c. Online Business Operations: Web-based marketing, advisory and transactional services, financial settlements, database services, and supply chain management. d. Digital Services: Online services such as telemarketing, telecommuting, telemedicine, education, and research. e. Data Communication: Conducting business via email, mobile devices, social media, cloud computing, document management, voice, or data transmission. Explanation Electronic securities offerings, subscriptions, or listings in IFSC (under SEZ Act, 2005) do not fall under "electronic mode" for Sec 2(42).

2. Applicability of Co Act 2013 to Foreign Company (Sec 379)

	Content
1.	Sections 380 to 386, 392, and 393 apply to all foreign companies.
2.	If ≥ 50% of the PUSC (equity, preference, or both) of a foreign company incorporated outside India is held by: ✓ One or more Indian citizens. ✓ One or more companies or bodies corporate incorporated in India. ✓ A combination of both Indian citizens and Indian companies.
3.	If the above condition is met, the foreign company must also comply with Chapter XXII and other provisions of this Act related to its business in India, as if it were incorporated in India.

3. Documents to be Delivered to Registrar by Foreign Companies

	Content
1.	Every foreign company shall, within 30 days of establishing a place of business in India, submit the following to the ROC (New Delhi) for registration: a. A certified copy of the charter, statutes, MOA, AOA, or any other document defining the company's constitution. If not in English, a certified English translation must be provided. b. The full address of the registered or principal office of the company. c. A list of directors and the CS with prescribed details. d. The list must include the following details for each director and secretary: ✓ Full name and surname. ✓ Former names (if any). ✓ Father's, mother's, or spouse's name. ✓ Date of birth. ✓ Residential address. ✓ Nationality (current and origin, if different). ✓ Passport details (date of issue, country of issue, and all passports if multiple exist). ✓ PAN (if applicable). ✓ Occupation (if any). ✓ Directorship in any other Indian company (including DIN, Company Name, and CIN). ✓ Other directorships held. ✓ Membership Number. ✓ Email ID. e. Name and address of one or more persons in India authorized to accept legal notices and documents on behalf of the company. f. Full address of the Indian office, which is considered its principal place of business in India. g. Details of any previous opening or closing of a place of business in India. h. A statement confirming that no director or authorized representative has been convicted or debarred from company formation or management in India or abroad. i. Any other details as may be prescribed.
2.	Application Process & Submission of Documents a. The required information shall be filed with the ROC within 30 days of establishing a place of business in India. b. Filing shall be done using Form FC-1 along with prescribed fees and documents as per Sec 380(1).
3.	RBI & Regulatory Approvals ✓ The application shall include an attested copy of RBI approval under the FEMA, if applicable. ✓ If additional regulatory approvals are required, they must also be submitted. ✓ If no approval is required, a declaration from the authorized representative of the foreign company must be provided.

4.	Ceasing Business in India a. If any foreign company ceases to have a place of business in India, it shall forthwith give notice of the fact to the Registrar. b. From the date on which such notice, the obligation of the company to deliver any document to the ROC shall cease, provided it has no other place of business in India.
5.	Compliance for Existing Foreign Companies Any foreign company operating at the commencement of the Co. Act, 2013 that has not submitted documents as required u/s 592(1) of the Co. Act, 1956, shall continue to comply with the Co. Act, 1956 for document submission.
6.	Reporting Alterations in Documents If any alteration occurs in the documents submitted u/s 380, the foreign company shall submit a return containing the details of the alteration within 30 days of the change. The alteration details must be filed in Form FC-2, along with prescribed fees.

4. Accounts of Foreign Companies (Sec 381)

	Content
1.	Every foreign company must, each calendar year: a. Prepare a balance sheet and profit & loss account in the prescribed format, including all required documents. b. Deliver a copy of these FS to the Registrar.
2.	Every foreign company shall prepare FS for its Indian business operations, following Schedule III or as close to it as possible, for each FY. This includes: a. Documents annexed shall follow Chapter IX (Accounts of Companies) of the Co. Act. b. The latest consolidated FS of the parent foreign company, as submitted in its home country under its applicable laws. Note: a. A foreign company with a place of business in India does not necessarily have to follow March 31st as its FY, if it has obtained approval from the CG. b. CG has the power to exempt foreign companies from the FS requirements of Sec 381(1) or apply them with modifications, as notified. c. If any document is not in English, a certified English translation shall be attached when submitting it to the Registrar.
3.	Additional Documents to be Filed with FS a. Every foreign company shall submit a list of all its business locations in India (Form FC-3 + prescribed fees) along with its FS. b. Every foreign company shall submit the following additional documents along with its FS to the Registrar: ✓ Statement of related party transactions. ✓ Statement of repatriation of profits. ✓ Statement of transfer of funds, including dividends (if any).
4.	Time limit for submission a. All documents shall be submitted to the Registrar within 6 months after the close of the FY. b. The Registrar may grant an extension of up to 3 months, if a written application is submitted by the foreign company, citing a special reason.

5.	Audit of Accounts of Foreign Companies a. Every foreign company shall have its Indian business operations' accounts audited as per Sec 381(1). b. The audit shall be conducted by a: ✓ Practicing CA in India, or ✓ A firm or LLP of practicing CAs. c. The provisions of Chapter X (Audit & Auditors) and its rules shall apply to foreign companies as far as applicable (mutatis mutandis).

5. Display of Name of Foreign Company (Sec 382)

	Content
1.	a. The company name and country of incorporation shall be conspicuously displayed on the outside of every office or place of business in India. b. The name and country of incorporation shall be easily legible in English characters and in the local language used in that area. c. The company name and country of incorporation shall be stated in legible English characters on Business letters, Bill-heads, letter papers, Notices, Official company publications.
2.	If the liability of members of company is limited, it shall: a. Clearly state this in every prospectus, business letter, bill-head, letter paper, notices, advertisements, and other official publications in legible English characters. b. Conspicuously display the limited liability status on the outside of every office or business location in legible English characters and in the local language used in that area.

6. Service on Foreign Company (Sec 383)

	Content
	Any process, notice, or document required to be served on a foreign company shall be deemed sufficiently served if: a. Sent to any Authorised person whose name and address have been submitted to ROC. b. Left at or sent by post to the address submitted to the ROC or by electronic mode.

7. Inspection of Books And Annual Returns of Foreign Company

	Content
1.	Debentures: Section 71 (Issue of Debentures) applies mutatis mutandis
2.	Annual Returns: a. Section 92 applies to a foreign company with necessary exceptions, modifications, and adaptations. b. If a foreign company meets the criteria u/s 135(1), it shall comply with Sec 135 (CSR). c. Every foreign company shall file an annual return (Form FC-4 + prescribed fees) within 60 days from the FY's end, providing relevant particulars to the ROC.
3.	Books of Account: As per Section 128, a foreign company shall maintain books of account at its principal place of business in India for: a. Monies received & spent

	b. Sales & purchases c. Assets & liabilities related to Indian business.
4.	Charges: Chapter VI (Registration of Charges) applies mutatis mutandis.
5.	Inspection, Inquiry & Investigation: Chapter XIV (Inspection, Inquiry & Investigation) applies mutatis mutandis to the Indian business of a foreign company.
6.	Fee for Registration of Documents (Sec 385) a. Fee shall be paid to the Registrar for registering any document required under this Chapter. b. As per the Companies (Registration of Foreign Companies) Rules, 2014, the fee for registering any document related to a foreign company shall be as specified in the Companies (Registration Offices and Fees) Rules, 2014.

8. Interpretation (Sec 386)

	Content
1.	✓ Certified: Refers to a true copy or a correct translation, verified in the prescribed manner. ✓ Director: In a foreign company, includes any person whose directions or instructions the Board of Directors follows. ✓ Place of Business: Includes a share transfer or registration office.

9. Issue of Prospectus by Foreign Company

	Content
1.	Prospectus to be Dated and Signed [Sec 387(1)] No person shall issue, circulate, or distribute in India any prospectus inviting subscription for securities of a company incorporated outside India, unless: a. The prospectus is dated and signed and includes: 1. The instrument defining the constitution of the company. 2. The laws or provisions under which the company was incorporated. 3. An Indian address where these documents can be inspected, including a certified English translation if necessary. 4. The date and country of the company's incorporation. 5. Whether the company has a place of business in India; if so, the principal office address. b. It states the matters required u/s 26 (Matters to be stated in a prospectus). Note: Points (1), (2), and (3) above are not required if the prospectus is issued more than 2 years after the company becomes entitled to commence business. c. Any condition requiring an applicant to waive compliance with Sec 387(1) is void.
2.	Form of Application for Securities [Section 387(3)]: a. A form of application for securities shall: ✓ Be issued with a prospectus that complies with Chapter XXII; and ✓ Not violate the provisions of Sec 388.

	b. Exception: A form issued in connection with a bona fide invitation for an underwriting agreement is permitted.
3.	Exemptions [Section 387(4)]: a. Section 387 does not apply to prospectuses or forms issued to: ✓ Existing members or debenture holders. ✓ Offers for securities that are identical to previously issued securities listed on a recognized stock exchange. b. However, requirements for dating the prospectus still apply.

10. Expert Statement (Sec 388)

	Content
1.	A prospectus offering subscription in securities of a foreign company may not be issued, circulated, or distributed in India unless: a. It includes a statement purportedly made by an expert who has provided written consent for the issue. b. The expert has not withdrawn consent before delivering the prospectus to the Registrar. c. A statement confirming this consent is included in the prospectus. d. The prospectus complies with Sec 33 (Issue of application forms) and Sec 40 (Securities on stock exchanges) provisions, as applicable.
2.	A statement is deemed to be part of a prospectus if it appears on its face, is incorporated by reference, or is issued with it.

11. Registration of Prospectus [Sec 389]

	Content
1.	No person shall issue, circulate, or distribute a prospectus in India unless: a. A certified copy (by the company chairperson and two directors) has been delivered to the Registrar. b. The prospectus states on the face of it that a copy has been so delivered. c. The prospectus includes any consent to issue of prospectus, documents, or endorsements.
2.	Documents to be Annexed to the Prospectus: As per the Companies (Registration of Foreign Companies) Rules, 2014, the following must be attached: a. Consent from any expert. b. Copy of contracts for appointing the MD or manager. c. A copy of material contracts entered within the last 2 years (outside the ordinary course of business). d. A copy of the underwriting agreement. e. A copy of the power of attorney if the prospectus is signed by an authorized agent.

12. Issue of Indian Depository Receipts By Foreign Company (Sec 390)

	Content
1.	An IDR is a financial instrument created by a Domestic Depository in India, authorized by a foreign company issuing the receipts.
2.	Rules for IDR Offers:

	a. The CG can establish rules covering: ✓ The offer of IDRs. ✓ Disclosure requirements in the prospectus or offer letter related to IDRs. ✓ How IDRs are handled in depository mode by custodians and underwriters. ✓ The sale, transfer, or transmission process for IDRs. b. These rules apply to any company incorporated outside India, whether or not it has a place of business in India.
3.	A foreign company cannot issue IDRs unless it meets: a. SEBI (ICDR) Regulations, 2009. b. Any directions issued by the RBI.

13. Compromises, Arrangements, and Amalgamations (Sec 234)

	Content
1.	a. Chapter XV provisions apply mutatis mutandis to mergers and amalgamations between: ✓ Companies registered under this Act, and ✓ Companies incorporated in jurisdictions notified by the CG. b. The CG may, in consultation with the RBI, establish rules for such mergers and amalgamations.
2.	a. With prior approval from the RBI, a foreign company may merge into an Indian company or vice versa. b. The terms of the merger scheme may include Payment of consideration to shareholders ✓ In cash, ✓ In Depository Receipts, or ✓ Combination of cash and Depository Receipts. c. This is subject to the provisions of any other law in force.
3.	Note: A foreign company refers to any company or corporate body incorporated outside India, regardless of whether it has a place of business in India or not.

14. Application of Sec 34 to 36 & Chapter XX (Sec 391)

	Content
1.	Sections 34, 35, and 36 apply to: a. The issue of a prospectus by a foreign company u/s 389, as they apply to an Indian company's prospectus. b. The issue of IDRs by a foreign company. ✓ Sec 34: Criminal liability for misstatements in a prospectus. ✓ Sec 35: Civil liability for misstatements in a prospectus. ✓ Sec 36: Punishment for fraudulently inducing investments.
2.	Chapter XX (Winding up) provisions apply mutatis mutandis for closing a foreign company's business in India as if it were an Indian company.

15. Punishments for Contravention by Foreign Company (Sec 392)

Content

1.	If a foreign company violates Chapter XXII provisions: a. Foreign Company: Fine 1,00,000 to 3,00,000 + 50,000 /day (For continuing offenses) beyond the initial contravention. b. Officer in Default: Fines 25,000 to 5,00,000.

16. Failure to comply with chapter XXII not to affect validity of contracts, etc [Sec 393]

	Content
1.	a. Failure to comply with Chapter XXII does not affect the validity of any contract, dealing, or transaction or the company's liability to be sued over them. b. However, the company cannot bring a suit, claim a set-off, make a counter-claim, or start legal proceedings related to such contracts until it complies with the relevant provisions of the Companies Act, 2013.

17. Improper Use of Description as a Foreign Company

	Content
1.	a. If a person trades or conducts business under a name suggesting they are a foreign company registered under the Act, without actually being registered, b. They will be liable for investigation u/s 210, and appropriate action will be taken based on the investigation.

18. Powers Of CG Exempting Foreign Companies from Co. Act

	Content
1.	Exemptions Under This Chapter: a. The CG may, by notification, exempt certain classes of: ✓ Foreign companies; and ✓ Companies incorporated outside India, whether or not they have a place of business in India or plan to establish one, b. From compliance with subscription offerings, prospectus requirements, and related matters in IFSC set up u/s 18 of the SEC Act, 2005.

12. THE LIMITED LIABILITY PARTNERSHIP ACT, 2008

1. Introduction

	Content
1.	a. The Ministry of Law and Justice notified the LLP Act, 2008 on 09-01-2009. b. The Parliament passed the LLP Bill on 12-12-2008, and the President of India gave assent on 07-01-2009.
2.	a. This Act provides for the formation and regulation of LLPs, along with related matters. b. The LLP Act, 2008 consists of 81 sections (Section 81 was omitted from 01-04-2022) and 4 schedules: ✓ First Schedule: Rights and duties of partners and LLPs when there is no formal agreement. ✓ Second Schedule: Conversion of a firm into an LLP. ✓ Third Schedule: Conversion of a private company into an LLP. ✓ Fourth Schedule: Conversion of an unlisted public company into an LLP.
3.	Administration of LLP a. The MCA and the ROC oversee the administration of the LLP Act, 2008. b. The CG has the power to frame and amend LLP Rules through notifications in the Official Gazette. c. The Indian Partnership Act, 1932 does not apply to LLPs.

2. Concept of LLP

	Content
1.	LLP is a legal business entity with limited liability, offering an alternative corporate structure with low compliance costs. It allows partners to structure their internal operations like a traditional partnership.
2.	LLP is a separate legal entity. The LLP itself is liable for its debts to the full extent of its assets, while the partners' liability is limited to their capital contribution.
3.	LLP combines features of both a company (limited liability) and a partnership (flexibility), making it an alternative corporate business form.
4.	Since LLP includes elements of both corporate structure and partnership structure, it is known as a hybrid between a company and a partnership.

3. Definitions

	Definition
1.	Address [Sec. 2(1)(a)] In relation to a partner in a LLP: a. If an individual – his usual residential address; b. If a body corporate – its registered office address.
2.	Body Corporate [Sec. 2(1)(d)] a. Body corporate means company as per Sec. 2(20) of the Co. Act, 2013, b. Body Corporate includes: ✓ LLP registered in India; ✓ LLP incorporated outside India; ✓ Company incorporated outside India.

	c. Body Corporate excludes: ✓ Corporation sole; ✓ Co-operative society; ✓ Any other body corporate excluded by CG notification.
3.	Business [Sec. 2(1)(e)] Includes trade, profession, service, occupation, but excludes activities specified by Central Government notification.
4.	Chartered Accountant [Sec. 2(1)(f)] A Chartered Accountant as per the Chartered Accountants Act, 1949, holding a Certificate of Practice.
5.	Designated Partner [Sec. 2(1)(j)] A partner designated u/s 7 of the LLP Act.
6.	Entity [Sec. 2(1)(k)] Any body corporate, including a firm under the Indian Partnership Act, 1932, for specific LLP Act sections (18, 46-50, 52, 53).
7.	Financial Year [Sec. 2(1)(l)] a. FY means the period from the 1st day of April of a year to the 31st day of March of the following year. b. If LLP is incorporated after Sept 30, the FY may end on March 31 of the next following year.
8.	Foreign LLP [Sec. 2(1)(m)] An LLP incorporated outside India that establishes business in India.
9.	Limited Liability Partnership (LLP) [Sec. 2(1)(n)] A partnership formed and registered under the LLP Act.
10.	LLP Agreement [Sec. 2(1)(o)] A written agreement between partners or LLP & partners defining rights, duties, and mutual obligations. The First Schedule applies where the agreement is silent.
11.	Name [Sec. 2(1)(p)] In relation to a partner: a. If an individual – their full name; b. If a body corporate – its registered name.
12.	Small LLP [Sec. 2(1)(ta)] An LLP meeting any of these conditions: a. Contribution ≤ ₹25L (or higher amount as may be prescribed up to ₹5 crore) and b. Turnover as per statement of accounts & solvency ≤ ₹40L (or higher amount as may be prescribed up to ₹50 crore); c. Meets other prescribed conditions.

4. Characteristics of Limited Liability Partnership

	Content
1.	LLP as a Body Corporate a. As per Sect 2(1)(d), an LLP is a body corporate formed under the LLP Act, 2008. b. As per Sec 3, it is a separate legal entity with perpetual succession, meaning changes in partners do not affect the LLP's existence.
2.	Perpetual Succession a. LLP continues regardless of changes in partners. b. Death, insanity, retirement, or insolvency of partners does not impact its existence. c. LLP can enter contracts and hold property in its own name.
3.	Separate Legal Entity a. As per Sec 3, LLP is a separate legal entity from its partners. b. It is liable for its debts, but partners' liability is limited to their agreed contribution. c. LLP creditors cannot claim from individual partners.
4.	Mutual Agency a. No partner is liable for the independent or unauthorized actions of other partners. b. Partners are agents of the LLP only, not of each other. c. One partner's misconduct does not create joint liability for others.
5.	LLP Agreement a. The mutual rights & duties of partners are governed by an LLP Agreement. b. LLP Act, 2008 provides flexibility to create an agreement. c. If no agreement exists, Schedule I of the LLP Act applies.
6.	Artificial Legal Person a. LLP is an artificial legal person with legal rights similar to an individual. b. However, it cannot be jailed, take an oath, marry, divorce, or practice professions like CA or Medicine. c. It is invisible, intangible, and immortal (unless dissolved by law).
7.	Common Seal a. LLP may have a common seal, but it is not mandatory (Sec 14(c)). b. If used, it must be in custody of an official and affixed in the presence of at least 2 designated partners.
8.	Limited Liability a. As per Sec 26, partners are liable only for their agreed contribution, which may be tangible or intangible. b. Professionals (Engineers, Lawyers, Accountants) benefit from LLPs as their liability is limited.
9.	Management of Business Partners manage the LLP business, but only designated partners are responsible for legal compliances.
10.	Number of Partners a. Minimum 2 partners are required. b. At least 2 designated partners, with one being a resident of India, are mandatory. c. There is no maximum limit on partners.
11.	Business for Profit Only

	a. LLPs must engage in lawful business with profit motive. b. They cannot be formed for charitable or non-economic purposes.
12.	Investigation The CG has the power to investigate LLP affairs by appointing a competent authority.
13.	Compromise & Arrangement Mergers, amalgamations, and compromises of LLPs must follow LLP Act, 2008 provisions.
14.	Conversion into LLP Firms, private companies, and unlisted public companies can be converted into LLPs under the LLP Act, 2008.
15.	E-Filing of Documents All LLP forms, applications, and documents must be electronically filed on www.mca.gov.in using electronic/digital signatures of a partner or designated partner.
16.	Foreign LLPs [Sec. 2(1)(m)] a. Foreign LLPs are those formed, incorporated, or registered outside India but have business operations in India. b. A Foreign LLP can also become a partner in an Indian LLP.

5. Advantages of LLP

	Content
1.	LLP form is a form of business model which: a. Is organised and operates on the basis of an agreement. b. Provides flexibility without imposing detailed legal and procedural requirements. c. Easy to form. d. All partners enjoy limited liability. e. Easy to dissolve.

6. Partner of LLP

	Partners
1.	Any individual or body corporate can become a partner in an LLP.
2.	Disqualification An individual cannot become a partner if: a. He has been found to be of unsound mind by a competent Court and the finding is in force; b. He is an undischarged insolvent; or c. He has applied to be adjudicated as an insolvent and his application is pending.
3.	Eligible Entities as Partners a. Individuals (Resident Indians, NRIs, Overseas Citizens of India (OCIs), and foreign nationals). b. Limited Liability Partnerships. c. Companies, including foreign companies. d. Foreign LLPs. e. LLPs incorporated outside India. f. Foreign Companies. Note:

	✓ Co-operative society and corporation sole cannot become partner. ✓ If an LLP receives capital from foreign investors (except NRIs & OCIs investing on a non-repatriation basis), it must comply with Foreign Direct Investment (FDI) regulations.

7. Minimum number of Partners

	Content
1.	Every LLP shall have at least 2 partners.
2.	Consequence of Having Only One Partner If an LLP continues business for more than 6 months with only one partner, that sole partner will be personally liable for all obligations incurred by LLP after 6 months.

8. Designated Partner (DP)

	Appointment & Requirements of Designated Partners [Section 7]
1.	a. Every LLP must have at least 2 DP, who must be individuals, with at least 1 resident in India. b. A resident is a person who has stayed in India for at least 120 days during the FY. c. If All Partners are Bodies Corporate At least 2 individuals (partners or nominees of body corporates) must act as designated partners. d. In case of contravention, ✓ LLP: ₹10,000 + ₹100 per day subject to maximum ₹1,00,000 ✓ Every partner: ₹10,000 + ₹100 per day subject to maximum ₹50,000
2.	Identification of DP a. If the incorporation document ✓ Specifies who are to be DP, such persons shall be DP on incorporation; or ✓ States that each of the partners from time to time of LLP is to be DP, every partner shall be a DP. b. A partner may become or cease to be a designated partner as per the LLP agreement.
3.	Filing with ROC a. An individual must give prior consent before being appointed as a DP. b. LLP shall file particulars of DP with ROC within 30 days of appointment. c. A designated partner must meet prescribed conditions to be eligible. d. Every designated partner must obtain a DPIN from the CG. e. In case of contravention, ✓ LLP: ₹5000 + 100 per day, up to a maximum of ₹50,000. ✓ Every DP: ₹5000 + ₹100 per day, up to a maximum of ₹25,000.

9. Liabilities of Designated Partners [Sec 8]

	Content
1.	Unless otherwise provided in this Act, DP shall be ✓ Responsible for LLP compliance, including filing documents, returns, statements, and reports. ✓ Liable for penalties imposed on the LLP for non-compliance with provisions.

10. Changes in Designated Partners [Sec 9]

	Content
1.	a. LLP must appoint a new designated partner within 30 days of vacancy. b. If No DP is Appointed or only 1 DP, every partner will be deemed a DP.
2.	In case of contravention, the LLP and its every partner shall be liable to a penalty of ₹10,000 and in case of continuing contravention, with further penalty of ₹100 per day subject to maximum ₹1,00,000 for LLP and ₹50,000 for every partner of such LLP

11. Procedure for Incorporation of LLP (Sec 11-14)

	Incorporation Document [Sec 11]
1.	The incorporation document is the most important document for LLP registration.
2.	Conditions for Incorporation a. At least 2 persons must subscribe to the incorporation document for a lawful business with profit motive. b. The document must be filed electronically with the Registrar of the State where the LLP's registered office will be located. c. Filing requires a statement in prescribed form made by: ✓ An Advocate, CS, CA, CMA involved in forming the LLP. ✓ A subscriber to the incorporation document, confirming compliance with LLP Act requirements.
3.	Contents of Incorporation Document must include: a. Prescribed format. b. LLP name. c. Proposed business. d. Registered office address. e. Details of initial partners. f. Details of designated partners. g. Any other prescribed information.
4.	Penalty for False Declaration If a person knowingly makes a false statement, they face: a. Imprisonment up to 2 years. b. Fine between ₹10,000 and ₹5,00,000.
5.	Incorporation by Registration [Sec 12] a. Once all requirements are met, the Registrar will: ✓ Register the incorporation document. ✓ Issue a certificate of incorporation within 14 days. b. The Registrar may accept the filed statement as sufficient evidence of compliance. c. The certificate is signed by the Registrar, Authenticated with an official seal, d. The certificate is Conclusive proof of LLP incorporation.
6.	Registered Office of LLP & Changes [Sec 13] a. Every LLP shall have a registered office for receiving communications and notices. b. A document may be served via: ✓ Post under a certificate of posting. ✓ Registered post.

	✓ Any other prescribed method at the registered office or an alternative declared address. c. LLP can change its registered office by filing a notice with the Registrar as per prescribed rules. The change takes effect only after filing. d. If an LLP fails to comply, it faces: ✓ ₹500 per day penalty. ✓ Maximum ₹50,000 penalty for LLP and its partners.
7.	Effect of Registration [Sec 14] After registration, an LLP has the following rights in its own name: a. LLP can file lawsuits and be sued. b. LLP can acquire, own, hold, develop, and dispose of property (movable, immovable, tangible, or intangible). c. LLP may have a common seal, but it is not mandatory. d. LLP can perform lawful acts like any other body corporate.

12. Selection of Name of LLP (sec 15-16)

	Content
1.	Naming Requirements [Sec 15] Every LLP name shall end with either "Limited Liability Partnership" or "LLP".
2.	Restrictions on Name Registration An LLP cannot be registered with a name that is: ✓ Undesirable, as per the CG's opinion. ✓ Identical or too similar to another LLP, company, or registered trademark under the Trade Marks Act, 1999.
3.	Reservation of Name [Sec 16] a. A person may apply to the Registrar in a prescribed form with a fee to reserve a name for: ✓ A new LLP. ✓ A name change of an existing LLP. b. If the Registrar is satisfied that the name does not violate Sec 15, it will be reserved for 3 months from the date of intimation.

13. Rectification of Name [Sec 17]

	Content
1.	If an LLP is inadvertently registered with a name that is: a. Identical or nearly similar to another LLP or company. b. Too similar to a registered trademark. Then, on application from the affected LLP, company, or trademark owner, the CG may direct the LLP to change its name within 3 months.
2.	A registered trademark owner can apply for rectification within 3 years from the LLP's incorporation or name change.
3.	Once the LLP changes its name, it shall: a. Notify the Registrar within 15 days. b. The Registrar updates the incorporation certificate. c. The LLP shall update its LLP Agreement within 30 days.

4.	If the LLP does not comply, the CG will assign a new name, and the Registrar will issue a fresh incorporation certificate.
5.	LLPs can change their name voluntarily later despite a government-mandated change.

14. Relationship of Partners with LLP

Eligibility to be Partners [Sec 22]	
1.	At the time of incorporation, Persons who subscribed to the incorporation document become partners.
2.	Any other person may become a partner as per the LLP agreement.

Relationship of Partners [Sec 23]	
1.	The mutual rights & duties of partners and the LLP shall be governed by the LLP agreement, unless otherwise stated in the LLP Act.
2.	The LLP agreement and any modifications shall be filed with the Registrar in the prescribed form, manner, and fees.
3.	A written agreement made before incorporation between subscribers can impose obligations on the LLP, provided it is ratified by all partners after incorporation.
4.	In the absence of agreement as to any matter, the mutual rights & duties of the partners and the mutual rights & duties of the LLP and the partners shall be determined by the provisions relating to that matter as are set out in the I Schedule.

15. Changes of Partners in LLP

Cessation of Partnership Interest [Sec 24]	
1.	a. A partner can leave the LLP either: ✓ As per the LLP agreement. ✓ By giving a written notice of at least 30 days to other partners. b. A partner automatically ceases on: ✓ Death or LLP dissolution. ✓ Being declared of unsound mind by a court. ✓ Applying or being declared insolvent.
2.	Continuing Liability A former partner is still regarded as a partner in dealings with third parties unless: a. The person has notice that the former partner has ceased to be a partner of the LLP; or b. Notice that the former partner has ceased to be a partner of the LLP has been delivered to the Registrar.
3.	Obligations After Exit Cessation does not discharge the partner from any previous obligations to the LLP, other partners, or third parties.
4.	Entitlements on Exit A former partner (or their legal heir in case of death/insolvency) is entitled to: a. Refund of capital contribution made to the LLP. b. Share of accumulated profits, after deducting losses up to the exit date.
5.	No Management Rights A former partner (or legal heir) has no right to interfere in LLP's management.

Registration of Changes in Partners [Sec 25]	
1.	A partner shall inform the LLP of any change in name or address within 15 days.
2.	The LLP shall file a notice with the Registrar within 30 days if: a. A partner joins or exits. b. There is a change in name or address of a partner.
3.	The notice shall: a. Be in prescribed form and with required fees. b. Be signed by a DP and authenticated as per rules. c. For new partners, include a signed consent statement.
4.	Penalties for Non-Compliance a. LLP & designated partners: ₹10,000 penalty for failure to file notice. b. Individual partner: ₹10,000 penalty for failure.
5.	If a partner believes the LLP will not file their exit notice, they may file it themselves. The Registrar will: a. Seek confirmation from the LLP. b. If no response within 15 days, the Registrar will register the notice.

16. Extent and Limitation of Liability of Partners in LLP

Content	
1.	Partner as Agent [Sec 26] Every partner is an agent of the LLP for its business activities, but not an agent of other partners.
2.	Extent of Liability of LLP [Sec 27] a. If a partner acts without authority, the LLP is not bound if: ✓ The partner has no authority to act for the LLP. ✓ The third party knew the partner had no authority or was unaware they were a partner. b. LLP is liable if a partner's wrongful act or omission occurs during business operations or with LLP's authority. c. LLP's obligations (contractual or otherwise) are solely the responsibility of the LLP. d. The liabilities of the LLP shall be met out of the property of the LLP.
3.	Extent of Liability of Partner [Sec 28] a. A partner is not personally liable for LLP's obligations just because he is a partner. b. A partner is personally liable for their own wrongful act but not for acts of other partners.
4.	Holding Out [Sec 29] a. If a person falsely represents themselves as a partner, they are liable if: ✓ The representation is spoken, written, or by conduct. ✓ A third party relies on it and extends credit to the LLP. b. If the LLP receives credit due to false representation, it is liable for the amount received. c. If an LLP continues using a deceased partner's name, their legal representative is not liable for LLP acts after death.

5.	Unlimited Liability in Case of Fraud [Sec 30] a. If an LLP or any partner acts to defraud creditors or for fraudulent purposes, liability becomes unlimited. b. LLP is liable for a fraudulent act of a partner, unless it proves the act was without LLP's knowledge or authority. c. If an LLP knowingly carries out fraudulent business, those involved face: ✓ Imprisonment up to 5 years and ✓ Fine between ₹50,000 to ₹5,00,000. d. LLP, partners, DP, or employees involved in fraud must compensate for losses suffered by any affected person. However, the LLP is not liable if the fraud was without its knowledge.

17. Whistle Blowing in Limited Liability Partnership

	Content
1.	Penalty Reduction or Waiver The Court or Tribunal may reduce or waive any penalty for a partner or employee of an LLP if: a. They have provided useful information during an investigation of the LLP. b. Their information (whether during an investigation or otherwise) leads to the conviction of the LLP, its partner, or employee under this Act or any other Act.
2.	Protection Against Retaliation No partner or employee of an LLP shall face discharge, demotion, suspension, threats, harassment, or any other form of discrimination in their employment terms for providing or facilitating information.

18. Partners Contribution

	Content
1.	Form of Contribution [Sec 32] a. A partner's contribution may include tangible, movable, immovable, or intangible property or any other benefit to the LLP. This includes money, promissory notes, agreements to contribute cash or property, and contracts for services (performed or to be performed). b. The monetary value of each partner's contribution shall be accounted for and disclosed in the LLP's accounts as per prescribed rules.
2.	Obligation to Contribute [Sec 33] a. A partner's obligation to contribute money, property, or benefits or to perform services for the LLP shall be as per the LLP agreement. b. A creditor of the LLP may enforce the original obligation against the partner if he extends credit or relies on a partner's obligation in the LLP agreement.

19. Maintenance of Books And Audit of Books of Accounts

	Content
1.	Proper Books of Account The LLP must maintain proper books of account, as prescribed, for each year of its existence: a. On cash basis or accrual basis b. Following the double-entry system c. At its registered office d. For the prescribed period
2.	Statement of Account and Solvency a. Every LLP shall prepare a Statement of Account and Solvency within 6 months from the end of each FY. b. This statement shall reflect the financial position as of the last day of the FY. c. It shall be in the prescribed form and signed by DP.
3.	Filing with Registrar Every LLP shall file the Statement of Account and Solvency with the Registrar in the prescribed form, manner, and with required fees.
4.	Audit of Accounts The accounts of the LLP shall be audited as per prescribed rules. However, the CG may exempt certain LLPs via notification in the Official Gazette.
5.	Penalty for Non-Compliance of Filing a. LLP: ₹100 per day, up to a maximum of ₹1,00,000. b. Every DP: ₹100 per day, up to a maximum of ₹50,000.
6.	Penalty for Non-Compliance (Books, Statement, Audit) a. LLP: ₹25,000 to ₹5,00,000. b. Every DP: ₹10,000 to ₹1,00,000.
7.	Accounting and Auditing Standards [Sec 34A] The CG, in consultation with the NFRA u/s 132 of the Co. Act, 2013, may: a. Prescribe accounting standards. b. Prescribe auditing standards, as recommended by ICAI.

20. Annual Return [Sec 35]

	Content
1.	Filing of Annual Return Every LLP shall file an annual return with the Registrar within 60 days of the FY's closure, in the prescribed form and manner, along with the prescribed fee. Ex: If the FY closes on 31-03-2022, the last date to file the annual return is 30-05-2022.
2.	Penalty for Non-Filing a. LLP: ₹100 per day, up to a maximum of ₹1,00,000. b. Every DP: ₹100 per day, up to a maximum of ₹50,000.
3.	Inspection of Documents [Sec 36]

	The incorporation document, partner details and changes, Statement of Account and Solvency, and annual return filed by each LLP shall be available for inspection by any person, on payment of the prescribed fee.

21. Penalty for False Statement [Sec 37]

	Content
1.	If any person makes a false statement or omits a material fact in any return, statement, or document under this Act, knowing it to be false or material: a. Imprisonment for up to 2 years. and b. Fine between ₹1,00,000 to ₹5,00,000.

22. Power of Registrar to Obtain Information [Sec 38]

	Content
1.	The Registrar may require any person (including a partner, DP, or employee of an LLP, past or present) to answer questions, make declarations, or provide information in writing within a reasonable period.
2.	If the person: a. Fails to provide the required information within the given time or the Registrar is not satisfied with the reply, b. The Registrar may summon them to appear before him, an inspector, or any public officer designated by the Registrar.
3.	Anyone who fails to comply with the Registrar's summons without a lawful excuse shall face a fine of ₹2,000 to ₹25,000.

23. Compounding of Offences [Sec 39]

	Content
1.	Authority for Compounding Offences a. The RD (or an authorized officer of equivalent rank) may compound any offence under this Act that is punishable with a fine only. b. The amount collected shall be: ✓ Not less than the minimum fine for the offence. ✓ Not more than the maximum fine for the offence.
2.	Limitations on Compounding a. If an LLP, partner, or DP commits the same offence within 3 years of a previously compounded offence, they cannot compound it again. b. If a second offence occurs after 3 years, it will be considered a first offence.
3.	Application for Compounding Applications for compounding must be made to the ROC, who will forward them to the RD or an authorized officer.
4.	Intimation of Compounding If an offence is compounded, the ROC must be informed within 7 days.
5.	Effect of Compounding a. If an offence is compounded before prosecution, no prosecution shall be initiated. b. If an offence is compounded after prosecution, the ROC must inform the court in writing, and the offender shall be discharged.

6.	The RD may order an LLP's partner, DP, or employee to file or register returns, accounts, or documents within a specified time, with the required fee or additional fee.
7.	Penalty for Non-Compliance with RD's Order If a partner, designated partner, or employee fails to comply with an order, the maximum fine for the offence shall be twice the amount prescribed under the respective section.

24. Assignment and Transfer of Partnership Rights (Sec 42)

	Content
1.	Transfer of Interest A partner's right to share in profits and losses and to receive distributions as per the LLP agreement is transferable, either wholly or partially.
2.	No Automatic Dissociation or Dissolution The transfer of rights does not by itself: ✓ Disassociation of the partner. ✓ Dissolution or winding up of the LLP.
3.	Limitations for Transferee A transferee or assignee of the partner's rights: ✓ Cannot participate in the management or conduct of LLP activities. ✓ Cannot access LLP transaction information by virtue of the transfer alone.

25. Effect of Conversion of Firms into LLP

	Content
1.	Conversion into LLP a. A firm may convert into an LLP as per the II Schedule of this Act (Sec 55). b. A private company may convert into an LLP as per the III Schedule of this Act (Sec 56). c. An unlisted public company may convert into an LLP as per the IV Schedule of this Act (Sec 57).
2.	Registration and Effect of Conversion [Sec 58] a. The Registrar, upon confirming that a firm, private company, or unlisted public company has complied with all requirements, will: ✓ Register the submitted documents as per the applicable schedule. ✓ Issue a certificate of registration, stating that the LLP is officially registered from the specified date. b. Within 15 days of registration, the LLP must inform the relevant Registrar of Firms or ROC about the conversion and provide LLP details in the prescribed manner. c. After conversion, the partners, shareholders, and LLP must comply with the respective Schedule applicable to them. d. From the date of the registration certificate, the conversion effects will be as specified in the respective Schedules.
3.	Effect of Registration a. From the registration date, an LLP will exist with the name stated in the certificate. b. Transfer of Assets and Liabilities

	✓ All movable, immovable, and intangible property, along with all assets, rights, liabilities, and obligations of the firm or company, will automatically transfer to the LLP. ✓ No additional assurance, act, or deed is required. c. The firm or company shall be deemed dissolved and removed from the records of the Registrar of Firms or ROC.

26. Compromise or Arrangement of LLPs [Sec 60]

	Content
1.	Proposal for Compromise or Arrangement a. A compromise or arrangement may be proposed: ✓ Between an LLP and its creditors. or ✓ Between an LLP and its partners. b. The Tribunal may, on an application by: ✓ The LLP, ✓ Any creditor, ✓ Any partner, or ✓ The liquidator (if the LLP is being wound up), Order a meeting of the creditors or partners to be called, held, & conducted as per the prescribed rules or Tribunal's directions.
2.	Binding Effect of Compromise a. If three-fourths in value of creditors or partners agree to a compromise or arrangement, and the Tribunal sanctions it. b. It shall be binding on: ✓ All creditors or partners, ✓ The LLP, and ✓ If the LLP is being wound up, the liquidator and contributories. c. The Tribunal will not approve the compromise unless the LLP or applicant discloses all material facts, including: ✓ Latest financial position of the LLP. ✓ Any ongoing investigation proceedings.
3.	Filing with Registrar The LLP must file the Tribunal's order with the Registrar within 30 days. The order takes effect only after filing.
4.	Penalty for Non-Compliance If the LLP fails to file the order within 30 days: a. LLP penalty: ₹10,000 + ₹100 per day for continuing default (Max ₹1,00,000). b. Every DP: ₹10,000 + ₹100 per day for continuing default (Max ₹50,000).
5.	Stay on Proceedings The Tribunal may stay any suit or proceeding against the LLP until the compromise application is resolved, as per its discretion.

27. Power of Tribunal to Enforce Compromise or Arrangement [Section 61]

	Content
1.	Where the Tribunal makes an order u/s 60 sanctioning a compromise or an arrangement in respect of a LLP, it— a. Shall have power to supervise the carrying out of the compromise or an arrangement; and b. May give such directions in regard to any matter or make such modifications as it may consider necessary for the proper working of the compromise or arrangement.
2.	If the Tribunal is satisfied that a compromise or an arrangement sanctioned u/s 60 cannot be worked satisfactorily with or without modifications, it may, a. either on its own motion or b. on the application of any person interested in the affairs of the LLP, make an order for winding up the LLP, and such an order shall be deemed to be an order made u/s 64 of this Act.

28. Provisions for Reconstruction or Amalgamation of LLPs [Sec 62]

	Content
1.	Application for Reconstruction or Amalgamation If an application is made u/s 60 for a compromise or arrangement, and it is shown that: a. The proposal is for reconstruction of an LLP or amalgamation of two or more LLPs. b. The undertaking, property, or liabilities of a transferor LLP will be transferred to a transferee LLP.
2.	Tribunal's Orders for Implementation The Tribunal may provide for: a. Transfer of all or part of the undertaking, property, or liabilities of the transferor LLP to the transferee LLP. b. Continuation of pending legal proceedings by or against the transferee LLP. c. Dissolution of the transferor LLP without winding up. d. Provision for dissenting persons, based on Tribunal's directions. e. Such incidental, consequential, and supplemental matters as are necessary.
3.	Conditions for Amalgamation Approval a. The Tribunal will not sanction the amalgamation of an LLP under winding up unless: ✓ The Registrar submits a report confirming that the LLP's affairs were not conducted prejudicially against partners' interests or the public interest. ✓ The Official Liquidator examines the LLP's records and reports that its affairs were not prejudicial to partners or public interest. b. If an order directs the transfer of property or liabilities: ✓ The property will vest in the transferee LLP, and liabilities will become those of the transferee LLP. ✓ The property will be free of any charge, if the order specifies that the charge is to cease to have effect. c. Within 30 days of the order, the LLP must file a certified copy with the Registrar for registration. d. If the LLP fails to file the order within 30 days:

	✓ LLP penalty: ₹10,000 + ₹100 per day for continuing default (Max ₹1,00,000). ✓ Every designated partner: ₹10,000 + ₹100 per day for continuing default (Max ₹50,000). *Explanation* ✓ *"Property" includes all rights, powers, and assets.* ✓ *"Liabilities" include all duties and obligations.* ✓ *An LLP cannot be amalgamated with a company.*

29. Circumstances in which LLP may be Winding Up by Tribunal (Sec 64)

	Content
1.	Winding Up and Dissolution [Sec 63] The winding up of an LLP can be: a. Voluntary, or b. By the Tribunal. Once an LLP is wound up, it may be dissolved.
2.	Circumstances for Tribunal-Ordered Winding Up [Sec 64] The Tribunal may order the winding up of an LLP if: a. The LLP itself decides to be wound up by the Tribunal. b. The number of partners falls below 2 for more than 6 months. c. The LLP has acted against the sovereignty and integrity of India, security of the State, or public order (Note: Omitted by the IBC, 2016). d. The LLP fails to file the Statement of Account and Solvency or Annual Return with ROC for 5 consecutive FY. e. The Tribunal deems it just and equitable to wind up the LLP.
3.	Rules for Winding Up and Dissolution [Sec 65] The CG has the authority to make rules regarding the winding up and dissolution of LLPs.

30. Business Transactions of Partner with LLP [Sec 66]

	Content
	A partner may lend money to or transact business with the LLP and will have the same rights and obligations as a non-partner regarding the loan or transaction.

31. Application of the Provisions of the Co. Act [Sec 67]

	Content
1.	Central Government's Authority CG may, through a notification in the Official Gazette, direct that provisions of the Co. Act shall apply to LLP with such modifications, exceptions, or adaptations as specified.
2.	Parliamentary Oversight a. A draft notification shall be laid before both Houses of Parliament for 30 days. b. If both Houses disapprove or modify the notification before the end of the following session, it cannot be issued or will be issued in the modified form as agreed by both Houses.

32. Payment of Additional Fee [Sec 69-70]

	Content
1.	If any document or return required to be filed with the Registrar is not submitted on time, it: a. Can be filed after due date by paying an additional fee, as prescribed. b. This does not affect any other liability or penalty under the Act.
2.	Different fees or additional fees may be prescribed for different classes of LLPs or for different types of documents or returns.
3.	Enhanced Punishment [Section 70] If an LLP, partner, or DP commits a second or subsequent offence: a. If imprisonment is prescribed, it shall be enforced. b. If a fine is prescribed (alone or with imprisonment), the fine shall be twice the original amount.

33. LLP v/s Partnership

	Basis	LLP	Partnership firm
1.	Regulating Act	LLP Act, 2008.	The Indian Partnership Act, 1932.
2.	Body corporate	It is a body corporate.	It is not a body corporate,
3.	Separate legal entity	It is a legal entity separate from its members.	It is a group of persons with no separate legal entity.
4.	Creation	It is created by registration under the LLP Act, 2008.	It is created by an agreement between the partners.
5.	Registration	Registration is mandatory. LLP can sue and be sued in its own name.	Registration is voluntary. Only the registered partnership firm can sue the third parties.
6.	Perpetual succession	Members may join or leave but its existence continues forever.	It has no perpetual succession.
7.	Name	Name of the LLP to contain the word limited liability partners (LLP) as suffix.	No guidelines. The partners can have any name as per their choice.
8.	Liability	Liability of each partner limited to the extent to agreed contribution except in case of willful fraud.	Liability of each partner is unlimited. It can be extended up to the personal assets of the partners.
9.	Mutual agency	Each partner can bind the LLP by his own acts but not the other partners.	Each partner can bind the firm as well as other partners by his own acts.
10.	Designated partners	At least 2 DP and at least 1 of them shall be resident in India.	There is no provision for such partners under the Partnership Act, 1932.
11.	Common seal	It may have its common seal as its official signatures.	There is no such concept in partnership

12.	Legal compliances	Only DP are responsible for all the compliances and penalties under this Act.	All partners are responsible for all the compliances and penalties under the Act
13.	Annual filing of documents	LLP is required to file: **(ii)** Statement of accounts and solvency **(iii)** Annual return	Partnership firm is not required to file any annual document with the registrar of firms.
14.	Foreign partnership	Foreign nationals can become a partner in a LLP.	Foreign nationals cannot become a partner in a partnership firm.
15.	Minor as partner	Minor cannot be admitted to the benefits of LLP.	Minor can be admitted to the benefits of the partnership.

34. LLP v/s Limited Liability Company

	Basis	LLP	Limited Liability Company
1.	Regulating Act	The LLP Act, 2008.	The Companies Act, 2013.
2.	Members/ Partners	The persons who contribute to LLP are known as partners of the LLP.	The persons who invest the money in the shares are known as members of the company.
3.	Internal governance structure	The internal governance structure of a LLP is governed by contract agreement between the partners.	The internal governance structure of a company is regulated by statute (i.e., Companies Act, 2013).
4.	Name	Name of the LLP to contain the word "Limited Liability partnership" or "LLP" as suffix.	Name of the public company to contain the word "limited" and Pvt. Co. to contain the word "Private limited" as suffix.
5.	No. of members/ partners	Minimum – 2 members Maximum – No such limit on the members in the Act. The members of the LLP can be individuals/or body corporate through the nominees.	Private company: Minimum – 2 members Maximum 200 members Public company: Minimum – 7 members Maximum – No such limit on the members. Members can be organizations, trusts, another business form or individuals.
6.	Liability of members/ partners	Liability of a partners is limited to the extent of agreed contribution in case of intention is fraud.	Liability of a member is limited to the amount unpaid on the shares held by them.
7.	Management	The business of the company is managed by the partners including the designated partners authorized in the agreement.	The affairs of the company are managed by board of directors elected by the shareholders.

8.	Minimum number of directors/ DP	Minimum 2 DP	Pvt. Co. – 2 directors Public co. – 3 directors

13.THE GENERAL CLAUSES ACT 1897

1. Need, Objects & Purpose of General Clauses Act

	Content
1.	Need of General Clauses Act a. The General Clauses Act, 1897 was enacted on 11-03-1897, to consolidate and extend the General Clauses Acts of 1868 and 1887. b. The Act contains definitions for certain terms and general principles of interpretation. c. These general definitions apply to all Central Acts and Regulations, unless a specific Act or Regulation defines the term differently or the context requires otherwise. d. The Act helps in cases where a clear definition is absent in specific laws and resolves conflicts between pre-constitutional and post-constitutional laws. e. It provides guidance on conflicting provisions, clarifies legislative intent, and distinguishes laws based on their commencement and enforcement to prevent uncertainty.
2.	Object of the Act a. To shorten the language of Central Acts. b. To provide for uniformity of expression in Central Acts by giving definitions for commonly used terms. c. To state explicitly certain convenient rules for construction and interpretation of Central Acts; d. To guard against slips and oversights by importing certain common form clauses, which otherwise ought to be inserted in every central Act.
3.	Purpose of the Act a. It consolidates various interpretation rules and legal principles into a single statute, reducing the need to specify them in multiple laws. b. The Act eliminates unnecessary repetition in legal language. c. Any definitions or principles laid out in the General Clauses Act automatically apply to all relevant statutes.

2. Applicability of General Clauses Act

	Content
1.	Territorial Extent a. The Act does not define its territorial extent. b. It applies to all Central laws, including rules and regulations under them.
2.	Part of Central Acts a. This Act is considered part of every Central law. b. If a Central law applies to a region, the General Clauses Act will also apply for interpretation.
3.	Acts Covered

	a. Acts of Indian Parliament, including rules & regulations. b. Acts of Dominion Legislature (15 Aug 1947 – 26 Jan 1950). c. Acts passed before Constitution by Governor-General in council or the governor general acting in a legislative capacity.
4.	Interpretation of the Constitution Article 367 states that this Act helps in interpreting the Constitution, similar to how it applies to Central laws.
5.	Supreme Court Ruling The Supreme Court stated in Chief Inspector of Mines v. K. C. Thapar that the General Clauses Act must be read into every applicable law.
6.	State General Clauses Act The State versions of this Act should follow the Central version to avoid confusion in legal interpretation.

3. Basic Understanding of Legislation

Preamble	
1.	a. Every Act has a Preamble that defines its scope, object, and purpose. b. The Preamble is the primary source for understanding the legislator's intention behind the Act. c. If a provision in the Act is ambiguous, the Preamble can be used to aid in its interpretation. d. The Preamble is part of the enactment and can be legitimately used to interpret it. e. The Preamble cannot override the plain provisions of the Act. However, it can be brought in as an aid to construction if the statute's wording is unclear. f. If a word/phrase has multiple meanings, the Preamble can clarify which meaning was intended.
2.	Examples a. Negotiable Instruments Act, 1881 – *"An Act to define and amend the law relating to Promissory Notes, Bills of Exchange, and Cheques."* b. Companies Act, 2013 – *"An Act to consolidate and amend the law relating to companies."*

Act	
1.	An Act is a Bill that has been passed by both houses of Parliament and assented to by the President.
2.	A Bill is a draft legislative proposal. Once approved by Parliament and assented to by the President, it becomes an Act.
3.	After Presidential assent, an Act is published in the Official Gazette of India.

Definition	
1.	a. Every Acts contains definitions in Section 2, though some Acts may use Sec 3 or other initial sections. b. The definition clause avoids repetitive explanations of words throughout the Act. c. If a word is not defined in the Act, its meaning is taken from the General Clauses Act, 1897.
2.	Some Acts refer to definitions from other statutes. a. The word 'Company' in the Co. Act, 2013, is defined in Section 2(20) of the same Act. b. The word 'Security' in the Co. Act, 2013, is not defined in the Act but is defined in Sec 2(h) of the SCRA, 1956. c. The word 'Affidavit' in Sec 7 of the Co. Act, 2013, derives its meaning from the GCA, 1897.

Means &/or Includes	
1.	Means Used in exhaustive definitions, which exactly define a term without extending its meaning. Ex: Company
2.	Include Used in inclusive definitions, which extend the meaning of a term beyond what is stated. Ex: Debenture
3.	Means and Includes Used when a definition is both exhaustive and inclusive. Ex: Share
4.	Apply to and Include Used in extensive definitions, indicating a broader meaning. Ex: Body Corporate

Shall & May	
1.	Shall Indicates a mandatory or imperative requirement. *Sec 3, Co. Act, 2013:* "A company may be formed for any lawful purpose…" *Here, "may" should be read as "shall", making it mandatory for company formation.*
2.	May Indicates a directory or discretionary provision. *Sec 21, Co. Act, 2013:* Documents requiring authentication *may* be signed by a KMP or an authorized officer. *Here, "may" is discretionary, meaning it is not mandatory.*
3.	Interchangeability In some cases, "shall" and "may" can be interpreted interchangeably, depending on legislative intent.
4.	Legal Interpretation If a statute uses both "shall" and "may", it suggests that "shall" is mandatory, while "may" is discretionary.

4. Definitions

	Definitions
1.	Act Act', used with reference to an offence or a civil wrong, shall include a series of acts, and words which refer to acts done extend also to illegal omissions; Ex: A causes Z's death by beating him and neglecting to provide food—this includes both acts & omissions.
2.	Affidavit a. Includes affirmation and declaration by those allowed to affirm or declare instead of swearing. b. A written statement confirmed by oath for legal use. Note: Same definition applies to Oath, Swear
3.	Central act An Act of Parliament and also includes: a. Acts before 1950 by Indian Legislature. b. Acts by the Governor General before 1950.
4.	Central government Definition varies based on time period: a. Before 1950 (before Constitution): Governor General in Council. b. After 1950 (after Constitution): President of India.
5.	Commencement a. The date when an Act or Regulation comes into force. b. A law is not in force until officially brought into operation. Case Law: *State of Orissa v. Chandrasekhar Singh Bhoi (1970 SC 398)* A statute is not in force unless legally enacted. The theory of a statute being "in operation in a constitutional sense" though it is not in fact in operation has no validity.
6.	Document Document' shall include a. any matter written, expressed or described upon any substance b. by means of letters, figures or marks or by more than one of those means c. which is intended to be used or which may be used, d. for the purpose or recording that matter. Ex: books, files, paintings, inscriptions, and computer files. Note: Document does not include currency notes.
7.	Enactment a. Includes Regulations and Acts, including those from Bengal, Madras, and Bombay Codes. b. Covers any provision in an Act or Regulation. c. Rules & regulations enacted by authorities under legislative delegation is also enactment.

8.	Financial year a. The year commencing on the first day of April. b. Different from Calendar Year (Jan-Dec). c. Used for taxation and accounting purposes. Ex: Financial Year 2023-24 runs from April 1, 2023 – March 31, 2024.
9.	Good faith a. A thing shall be deemed to be done in good faith where it is in fact done honestly, whether it is done negligently or not; b. The question of good faith under the GCA, 1897 is one of fact. It is to determine with reference to the facts and circumstances of each case. *Ex: An authority is not acting honestly where it had a suspicion that there was something wrong and did not make further enquiries* c. The term "good faith" has been defined differently in different enactments. This definition of the good faith does not apply to that enactment which contains a special definition of the term "good faith" and the definition given in that particular enactment has to be followed. In Maung Aung Pu Vs. Maung Si Maung, a. It was pointed out that the expression "good faith" is not defined in the Indian Contract Act, 1872 and the definition given here in the GCA, 1897 does not expressly apply the term on the Indian Contract Act. b. The definition of good faith as is generally understood in the civil law and which may be taken as a practical guide in understanding the expression in the contract Act. c. An honest purchase made carelessly without making proper enquiries cannot be said to have been made in good faith so as to convey good title.
10.	Government Shall include both Central & State Government.
11.	Government securities Shall mean securities issued by the CG or SG. Ex: Bonds issued by the Reserve Bank of India (RBI) on behalf of the Government.
12.	Immovable property includes a. land, b. benefits arising from land, c. things attached to the earth, or d. permanently fastened to something attached to the earth. Note: a. Shantabai v. State of Bombay: Trees are immovable property as they are rooted in the earth. b. Right of way (access to a place) is immovable property, but right to drain water is not. c. Standing crops & fixed machinery are considered immovable property.

13.	Imprisonment shall mean imprisonment of either description as defined in the Indian Penal Code; Sec 53 of IPC: Imprisonment is of two descriptions a. Rigorous, that is with hard labour b. Simple.
14.	Indian law a. Shall mean Acts, Ordinances, Regulations, Rules, and Orders that had legal force before or after 1950. b. Does not include UK Acts or Orders. Ex: The Indian Penal Code, 1860, is part of Indian law, while British Acts do not qualify.
15.	Movable property shall mean property of every description except immovable property. Examples: Debts, shares, electricity.
16.	Offence a. Any act or omission punishable under law. b. Covers both acts (doing something illegal) and omissions (failing to do something legally required). Ex: Theft (an act) and failure to pay taxes (an omission) are offences.
17.	Official gazette shall mean The Gazette of India or a State Gazette. Ex: Government policies, tenders, and notifications are published in the Official Gazette.
18.	Person includes Companies, Associations, or Bodies of Individuals, whether incorporated or not.
19.	Year a. Refers to a year as per the British Calendar. b. Equivalent to a calendar year (Jan-Dec). Ex: The year 2025 runs from Jan 1 – Dec 31, 2025

5. Application to foregoing Definitions to Previous Enactments

	Content
1.	Application of Definitions to Central Acts after 03-01-1868 & Regulations after 14-01-1887 Certain definitions (Affidavit, Immovable Property, Imprisonment, Month, Movable Property, Oath, Person, Section, Year) apply to all Central Acts made after 1868 and all Regulations made after 1887, unless repugnant to the subject or context.
2.	Application of Definitions to All Central Acts & Regulations Made on or After 14-01-1887 Additional definitions (Commencement, Financial Year, Offence, Registered, Schedule, Sub-Section, Writing) apply to all Central Acts and Regulations made on or after 1887, unless repugnant to the subject or context.
3.	Application of Certain Definitions to Indian Laws [Sec 4A] Definitions (Central Act, CG, Gazette, Government, Government Securities, Indian Law, Official Gazette) apply to all Indian laws, unless repugnant to the subject or context.

4.	References to Revenues of the CG/SG [Effective from 01 -04-1950] In any Indian law, references to revenues of the Central/State Government should be understood as references to: Consolidated Fund of India, Consolidated Fund of the State

6. General Rules of Construction (Sec 5-13)

Coming into operation of Enactment (Sec 5)

1.	Coming into Operation of Enactment a. If a Central Act does not specify a date, it comes into force on the day it receives Presidential/Governor General's assent. b. If a specific date is mentioned in the Gazette, it comes into force from that date. c. Courts cannot compel the government to enforce a provision on a specific date, but can direct them to consider enforcement. *Companies Act, 2013: Received Presidential assent on 29-08-2013, came into force on 30-08-2013 via Gazette notification.* *A.K. Roy v. UOI (1982 SC 710): Courts cannot force the government to bring a law into force.*
2.	Presumption Against Retrospectivity a. Laws affecting substantive vested rights generally apply prospectively, unless expressly stated otherwise. b. Retrospective effect is only valid if explicitly mentioned in the Act. Ex: Tax laws are generally prospective, unless specifically mentioned as retrospective.

Effect of Repeal [Sec 6]

1.	Where any Central legislation or any regulation made after the commencement of this Act repeals any Act made or yet to be made, unless another purpose exists, the repeal shall not: a. Revive anything not enforced or prevailed during the period at which repeal is effected or; b. Affect the previous operation of any enactment so repealed or anything duly done or suffered thereunder; or c. Affect any right, privilege, obligation or liability acquired, accrued or incurred under any enactment so repealed; or d. Affect any penalty, forfeiture or punishment incurred in respect of any offence committed against any enactment so repealed; or e. Affect any inquiry, litigation or remedy with regard to such claim, privilege, debt or responsibility or any inquiry, litigation or remedy may be initiated, continued or insisted. Navrangpura Gam Dharmada Milkat Trust v. Ramtuji Ramaji, a. Gujarat High Court distinguished between repeal and deletion of a legal provision. b. Repeal completely obliterates a provision as if it never existed, affecting all rights and causes of action related to it.

	c. In contrast, deletion takes effect only from the date it is enacted, without retroactively erasing the provision's prior existence or effects.
2.	Repeal of Act Making Textual Amendment [Sec 6A] If any Central Act or regulation repeals any enactment that made amendments to another law, those amendments still remain valid. Ex: If a Tax Amendment Act is repealed, the tax rates amended by it still apply.
3.	Revival of Repealed Enactments [Sec 7] In any Central Act or regulation, for the purpose of reviving either wholly or partially, any enactment wholly or partially repealed, it is necessary to expressly state that purpose. Ex: If a previous tax law is repealed, it cannot be revived unless a new law expressly states so.
4.	Construction of References to Repealed Enactments [Sec 8] If any Central Act or Regulation repeals and re-enacts any provisions of a former enactment, then all 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. Ex: In sec 115 JB of the Income Tax Act, 1961, for calculation of book profits, the Co. Act, 1956 are required to be referred. With the advent of Co. Act, 2013, the corresponding change has not been made in sec 115 JB of the Income Tax Act, 1961. On referring of sec 8 of the GCA, book profits to be calculated u/s 115 JB of the Income Tax Act will be as per the Co. Act, 2013.

	Content
1.	Commencement and Termination of Time [Sec 9] In any legislation or regulation, "from" excludes the first day, and "to" includes the last day. Ex: If a company declares a dividend on 30/09/2025, it must be paid from 01/10/2025 to 30/10/2025, excluding 30/09/2025 but including 30/10/2025.
2.	Computation of Time [Sec 10] a. In any legislation or regulation, b. any act or proceeding is directed to be done on a certain day or within prescribed period c. then if the Court or office is closed on that day or last day of the prescribed period, d. the act or proceeding shall be considered as done or taken in due time if it is done or taken on the next day afterwards on which the Court or office is open. *K. Soosalrathnam v. Div. Engineer, NHC (Madras HC): Last date for tender submission was a holiday, so it was extended to the next working day.*
3.	Measurement of Distances [Sec 11] Unless different intention appears, the Distances shall be measured in a straight line on a horizontal plane.

4.	Duty to Be Taken Pro Rata in Enactments [Sec 12] Any duty of customs or excise or in the nature thereof, is leviable on any given quantity, by weight, measure or value of any goods or merchandise, then a like duty is leviable according to the same rate on any greater or less quantity Ex: If a company pays ₹200 in dividends for 100 shares, a shareholder with 10 shares gets ₹20 (10% of ₹200).
5.	Gender and Number [Sec 13] In all Legislations and regulations unless different intention appears, Words referring to masculine gender include females, and singular words include plural (and vice versa). Ex: "He" in laws may also include "She". However, "bullocks" cannot include "cows".

7. Power and Functionaries (Sec 14 - 19)

	Provision
1.	Power Conferred to Be Exercisable from Time to Time [Sec 14] If a power is conferred by any Central Act, it may be exercised repeatedly as needed unless stated otherwise.
2.	Power to Appoint to Include Power to Appoint Ex-Officio [Sec 15] If any legislation or regulation grants the power to appoint a person to an office or function, they may be appointed by name or by virtue of office (ex-officio).
3.	Power to Appoint Includes Power to Suspend or Dismiss [Sec 16] The authority having for the time being power to make the appointment shall also have power to suspend or dismiss any person so appointed
4.	Substitution of Functionaries [Sec 17] For the purpose of indicating the application of a law to every person or number of persons for the time being executing the functions of an office, it shall be sufficient to mention the official title of the officer at present executing the functions, or that of the officer by whom the functions are commonly executed.
5.	Successors [Sec 18] For the purpose of indicating the relation of a law to the successors of any functionaries or of corporations having perpetual succession, it shall be sufficient to express its relation to the functionaries or corporations.
6.	Official Chiefs and Subordinates [Sec 19] A law relative to the chief officer also applies to deputies or subordinates lawfully performing their duties.

8. Provision as to orders, rules etc. Made under enactments. (Sec 20 - 24)

	Provision
1.	Construction of Orders, etc., Issued Under Enactments [Sec 20] If any legislation or regulation grants the power to issue a notification, order, scheme, rule, form, or bye-law, the expressions used in them shall have the respective meaning as in the Act unless otherwise specified.

2.	Power to Issue, Amend, Vary, or Rescind Notifications, Orders, Rules, etc. [Sec 21] If any legislation or regulation grants the power to the authority to issue notifications, orders, or rules also has the power to amend, vary, or rescind them in the same manner.
3.	Making of Rules or Bye-laws Before Enactment Comes into Force [Sec 22] If a Central Act or Regulation is passed but does not come into force immediately, any power granted under it to make rules, issue orders, or establish courts and appoint officials can be exercised right after the Act is passed. However, these rules or orders will only take effect when the Act or Regulation officially begins. Ex: Rules framed before an Act is enforced remain valid and preparatory to its implementation.
4.	Provisions for Making Rules/Bye-Laws After Previous Publication [Sec 23] When an Act requires prior publication of rules or bye-laws, the following steps must be followed: a. Publish a draft of the proposed rules or bye-laws for the information of persons likely to be affected thereby b. The authority will publish the rules in a way it considers sufficient or as prescribed by the government if prior publication is required. c. A notice will be published with the draft, stating the date from which it will be considered. d. The rule-making authority, along with any required approving authority, must review objections or suggestions received before the specified date. e. Once published in the Official Gazette, the rule or bye-law is considered legally valid and properly made. Ex: Once rules are published in the Official Gazette, any procedural irregularities in drafting cannot be challenged.
5.	Continuation of Orders, etc., Issued Under Repealed and Re-Enacted Laws [Sec 24] a. If a Central Act or Regulation is repealed and re-enacted (with or without changes), then, unless stated otherwise, all appointments, notifications, rules, and orders made under the old law will continue to be valid under the new law. b. If a law previously extended to a specific area is later withdrawn and then re-extended, it will be treated as repealed and re-enacted for that area. c. This section confirms that if a law is repealed but re-enacted with the same or similar provisions, the repeal is neutralized, and the provisions remain in force without interruption. However, if the re-enactment introduces significant changes, the modified parts replace and override the old provisions. Ex: Mines Act, 1952 replaced the Mines Act, 1923, but rules under the old Act continued until superseded.

9. Miscellaneous. (Sec 25 - 30)

	Provision
1.	Recovery of Fines [Sec 25] Sections 63 to 70 of IPC and provisions of CrPC regarding fine recovery apply to all fines imposed under any law, unless explicitly stated otherwise.
2.	Offences Punishable Under Two or More Enactments [Sec 26] If an act/omission is an offence under 2 or more enactments, the offender can be prosecuted under either or any of those enactments but not punished twice. State of M.P. v. V.R. Agnihotri An accused acquitted under IPC Section 409 can still be convicted under Prevention of Corruption Act.
3.	Applicability of Sec 26 & Article 20(2): Applies only if the two offences have the same ingredients. If they are distinct, prosecution under both laws is valid. Ex: A person charged under Income Tax Act & Money Laundering Act for the same financial transaction can be prosecuted separately.
4.	Meaning of Service by Post [Sec 27] When a legislation or enactment requires any document to be served by post, it is deemed to be effected if a. properly addressing, b. prepaying, and c. posting by registered post. United Commercial Bank v. Bhim Sain Makhija: Registered post Acknowledgment Due is mandatory if required by law. Jagdish Singh v. Natthu Singh If a tenant refuses registered post, it is considered served.
5.	Citation of Enactments [Section 3(28)] An Act may be cited by its title, short title, number, or year. Ex: Companies Act, 2013 can be cited as Act No. 18 of 2013.
6.	Saving for Previous Enactments, Rules, and Bye-laws [Sec 29]: New provisions do not affect the interpretation of laws, rules, or bye-laws made before this Act's commencement. Ex: Rules under Mines Act, 1923 continued under Mines Act, 1952 until repealed.
7.	Application of Act to Ordinances [Sec 30]: The term "Central Act" includes Ordinances made under various laws. Ex: Ordinances under Article 123 of the Constitution are treated like Acts.

14.INTERPRETATION OF STATUTES

1. Statute

	Content
1.	a. To a common man, the term 'Statute' refers to laws and regulations, regardless of their source. b. The word "Statute" is now synonymous with an Act of Parliament and refers to written laws directly established by the legislature. c. Maxwell defines Statute as the will of the legislature. d. In India, a statute refers to an enacted law, meaning a law passed by the Parliament or State Legislature. e. A Bill is passed in Lok Sabha and Rajya Sabha, and upon receiving the President's assent, it becomes an Act of Parliament or a Statute.
2.	Statute refers to written law, whereas law is a broader term that includes both written and unwritten laws. The term 'Law' includes ordinances, orders, bye-laws, rules, regulations, notifications, etc.

2. Document

	Content
1.	A document is a paper or material thing that provides information, proof, or evidence. Sec 3 of the Indian Evidence Act, 1872 states that 'Document' means any matter expressed or described upon any substance by means of letters, figures or marks or by more than one of those means, intended to be used, or which may be used, for the purpose of recording that matter.
2.	Elements of a Document A document consists of 4 elements: a. Matter: This is the first element. Its usage with the word "any" shows that the definition of document is comprehensive b. Record: This second element must be certain mutual or mechanical device employed on the substance. It must be by writing, expression or description c. Substance: This is the third element on which a mental or intellectual elements comes to find a permanent form. d. Means: This represents forth element by which such permanent form is acquired and those can be letters, any figures, marks, symbols which can be used to communicate between two persons

3. Instrument

1.	a. A formal legal document that creates, confirms, or records a right or fact. b. Formal writing of any kind, such as an agreement, deed, charter or record, drawn up and executed in a technical form.

	c. Formal legal document having legal effect, either as creating a right or liability or as affording evidence of it. d. Instrument includes every document by which any right or liability is or purports to be created, transferred, extended, extinguished or recorded. (Sec 2(14) of Indian Stamp Act 1899)

4. Deed

1.	a. A deed is a formal written instrument that affects a legal disposition. b. All deeds are instruments, but not all instruments are deeds. c. In India, no clear distinction exists between "deeds" and "instruments".

5. Interpretation and its Significance

	Provision
1.	Interpretation a. The process by which the Courts seek to ascertain the meaning of the legislature through the medium of the words in which it is expressed. b. The process by which the real meaning of an Act and the intention of the legislature in enacting it is ascertained. c. Interpretation is resorted to in order to resolve any ambiguity in the statute.
2.	Importance of Interpretation a. Interpretation is important, especially for laws, because legislation is a key source of law. b. Making laws and interpreting them are separate processes handled by different authorities. c. Interpretation helps connect the meaning of laws with their application.
3.	Classification of Interpretation Jolowicz's Classification: Legal or Doctrinal interpretation. Fitzgerald's Classification: Literal or Functional interpretation.

6. Jolowicz Version of Interpretation

	Explanation
1.	Legal Interpretation Interpretation that follows a binding rule of law, requiring the judge to interpret a statute in a specific way. a. Authentic Interpretation: The rule of interpretation comes from the legislator himself. b. Usual Interpretation: The interpretation comes from sources like custom or case law.
2.	Doctrinal Interpretation Interpretation aimed at discovering the real and true meaning of a statute. a. Grammatical Interpretation: The court applies ordinary rules of language to determine the meaning of words.

	b. Logical Interpretation: The court goes beyond the words to determine the real intention of the law.

7. Fitzerald Version of Interpretation

	Explanation
1.	Literal Interpretation a. Interpretation that considers only the verbal expression of the law without looking beyond the literal meaning. b. The court's duty is to find the legislative intent primarily through words and language used in the law. c. No external factors are considered beyond the text of the statute.
2.	Functional Interpretation a. Interpretation that goes beyond the literal meaning and seeks the true intention of the legislature. b. The court departs from the literal text and looks for broader meaning. c. Balances the letter of the law with the spirit of the law.
3.	Courts usually prefer the literal meaning, but in exceptional cases, they may use functional interpretation to achieve justice. Salmon's Jurisprudence states that the letter of the law is often the exclusive and conclusive evidence of its spirit.

8. Construction v/s Interpretation

	Explanation
1.	Construction a. Construction of a statute or document means determining its true meaning based on its known elements and the intent of its creators. b. It goes beyond the literal words by considering the overall context and other parts of the law. c. The goal is to understand the legislature's intention.
2.	Difference Between Interpretation and Construction a. Interpretation finds the meaning of words and how the author intended them to be understood. b. Construction involves drawing conclusions beyond the literal meaning of the text. c. Courts must enforce the intended meaning of a law, especially for legal terms with clear definitions. d. If the words of a law are clear, courts interpret them directly. If unclear, courts analyze whether the wording applies to the situation, which is construction. Construction aligns with the law's spirit, even if not its exact wording. e. In practice, construction includes interpretation, and the two terms are often used interchangeably.

9. Importance or Need of Interpretation/ Construction

	Explanation
1.	a. Laws are carefully drafted to avoid ambiguity, but absolute precision is impossible. b. Legislators cannot foresee all situations, making it hard to fully capture legislative intent. c. When a statute's words are vague or have multiple meanings, interpretation or construction is needed to ensure fair and consistent decisions. d. A statute reflects the legislature's will, so it must be interpreted based on their intent. e. If the wording is clear, it should be interpreted in its natural meaning without further analysis. f. The purpose of interpretation is to discern the intention which is conveyed either expressly or impliedly by the language used. g. Interpretation should serve public benefit. Ex: If a law imposes a penalty but does not specify who receives it, it is assumed to go to the State.

10. Interpretation may be either 'Grammatical' or 'Logical'

	Explanation
1.	Types of Interpretation Grammatical (Literal) Interpretation: Focuses strictly on the words used in the statute, interpreting the law as written (what the law says). Logical Interpretation: Seeks to understand the intended meaning behind the words (what the law means).
2.	Application of Interpretation a. Courts usually follow grammatical interpretation and cannot alter or add words to a law (absoluta sententia expositore non indiget – clear words need no explanation). b. If literal interpretation leads to absurdity, courts may use logical interpretation to uphold the true intent of the law. c. When two interpretations are possible ✓ one strict and grammatical, ✓ the other dynamic and aligned with legislative intent, the latter is preferred d. However, if the law is clear and unambiguous, it must be applied as written, even if it appears harsh or burdensome.

11. Rule of Literal Interpretation

	Explanation
1.	a. The primary rule of construction is that the legislature's intent must be derived from the words used in the statute. b. A statute should be interpreted literally and grammatically, giving words their ordinary and natural meaning. c. When the language is clear and unambiguous, courts cannot adopt a different interpretation based on assumed legislative intent. d. Courts must interpret words in their ordinary grammatical sense unless ambiguity exists. e. This principle follows the Latin maxim absoluta sententia expositore non indiget (clear words require no explanation). f. If two interpretations exist one narrow and one broad, the broader one should be preferred if the narrow one fails to achieve the law's purpose. g. Courts cannot add missing provisions to a statute, as doing so would amount to legislating rather than interpreting.
2.	Key Aspects of Literal Interpretation a. Natural and Grammatical Meaning: Words should be understood in their ordinary sense unless doing so leads to absurdity, inconsistency, or repugnancy. In such cases, the meaning may be adjusted slightly but only as necessary. b. Technical Words: Technical terms must be interpreted in their specialized legal or technical sense.

12. Rule of Reasonable Construction

	Explanation
1.	a. The words of a statute must be interpreted in a way that gives them a meaningful effect (ut res magis valeat quam pereat). b. Generally, words must be given their ordinary meaning. Only when a statute allows for two possible interpretations should the one that supports the law's purpose be chosen. c. If a literal interpretation leads to an absurd result, courts can adjust the interpretation to maintain consistency in the law. d. The goal is to interpret statutes logically to ensure they serve their intended purpose rather than become ineffective. e. This principle follows the Latin maxim Interpretatio fienda est ut res magis valeat quam pereat, meaning statutes should be understood grammatically but not in a way that makes them meaningless. f. When strict grammatical interpretation causes absurdity, courts may modify it just enough to avoid the absurdity.

13. Rule of Harmonious Construction

	Explanation
1.	a. Words in a statute should be understood in a way that aligns with its purpose. b. This rule applies when there is a conflict between two provisions of a statute or between a provision and the statute's overall objective. c. If possible, courts should interpret provisions in a way that avoids conflict and ensures harmony. d. The statute must be read as a whole, considering its context, to maintain consistency and avoid making any part ineffective.
2.	a. If two provisions cannot be harmonized, one may be treated as an exception to the other, with the specific rule overriding the general rule (generalia specialibus non derogant – "general provisions do not override specific ones"). b. Certain phrases indicate the priority of provisions: ✓ Subject to: This means the provision is subordinate to another. If a conflict arises, the other provision takes precedence. ✓ Notwithstanding: A non-obstante clause ensures that the provision prevails over others, overriding any conflicting provisions. ✓ Without prejudice: This phrase means the provision does not limit or restrict previous provisions but operates alongside them.

14. Rule in Heydon's Case or Mischief Rule

	Explanation
1.	a. When a statute's language allows more than one interpretation, the Heydon's Case Rule is the most established principle of construction. b. The purpose of this rule is to interpret the law in a way that suppresses the mischief and advances the remedy, aligning with the true legislative intent.
2.	In Heydon's Case, the court laid down four key considerations for interpreting statutes: a. What was the law before the act? b. What defect, mischief, or hardship did the previous law cause? c. How does the new act resolve or cure the mischief? d. What are the true reasons for the remedy?
3.	a. Courts must interpret the statute in a way that eliminates the mischief, promotes the remedy, and prevents any loopholes that allow the mischief to continue. b. To apply Heydon's Case, courts must examine the legal state at the time of enactment, considering both the existing and previous statutes.

15. Rule of Beneficial Construction

	Explanation
1.	a. This is not a strict rule but a method of interpreting a provision liberally to fulfill the declared legislative intent. b. Beneficial construction applies to statutes aimed at improving the conditions for underprivileged or previously unfairly treated groups. c. In such cases, courts may extend the meaning of words or clauses, but only when two reasonable interpretations exist and not when the statute's language is clear and unambiguous.

16. Rule of Exceptional Construction

	Explanation
1.	Words must be interpreted sensibly, ensuring they support the intent of the law rather than making it ineffective (ut res magis valeat quam pereat). If a word lacks a sensible meaning or defeats the law's purpose, it may be ignored (Maxwell's principle).
2.	"And" and "Or" a. "And" is normally conjunctive, connecting words, clauses, or sentences to indicate addition. b. "Or" is disjunctive, signifying an alternative, like "either this or that." c. However, "and" can be read as "or" and vice versa when necessary to fulfill the legislature's clear intent. d. Courts may interpret "and" as "or" when a strict reading would defeat the legislative purpose. e. In legal documents and statutes, "and/or" means the provisions can be read either conjunctively or disjunctively, depending on the context.
3.	"May", "Must", and "Shall" a. If a provision requires an action without discretion, it is mandatory. b. If the authority has discretion, the provision is directory. c. To determine whether a statute is mandatory or directory, courts focus on legislative intent, not just the wording.
4.	a. "May" usually signifies permission or discretion, but in some cases, it can mean "shall" if the context demands it. b. "Shall" typically indicates a command, but it can sometimes be interpreted as "may" if a strict reading leads to absurdity. c. "Must" is a definite command with no discretion.

17. Rule of Ejusdem Generis

	Explanation
1.	The term "ejusdem generis" means "of the same kind or species." It means that when general words follow specific words, the general words should be interpreted as limited to the same category as the specific ones.
2.	Conditions for Application This rule applies when: a. The statute lists specific words. b. These words belong to a common category. c. The category is not fully covered by the listed words. d. General words follow the specific ones. e. There is no indication that the legislature intended otherwise.
3.	Not an Absolute Rule The rule is flexible and does not apply if the legislative intent is clear.
4.	Exceptions The rule does not apply when: a. Both the specific and general words are broad. b. The specific words already cover the entire category. c. The specific words are diverse and do not form a common category. d. The legislature explicitly states that the general term should not be interpreted under this rule.

18. Doctrine of Noscitur A Sociis

	Explanation
1.	a. Noscitur a Sociis means that when two or more words with similar meanings are used together, they should be understood in relation to each other. b. A general word takes its meaning from the specific words it is associated with.
2.	Fresh orange juice is not a "fruit juice" a. In a Purchase Tax Act, the phrase "manufactured beverages including fruit juices" was used. b. It was held that freshly pressed, unsweetened orange juice did not fall under "fruit juice" because the term should be interpreted in the context of the other processed beverages listed. [(Commissioners v. Savoy Hotel, 1966)] A doctor's private dispensary is not a commercial establishment a. The Bombay Shops and Establishments Act, 1948, defines "commercial establishment" as one engaged in business, trade, or profession. b. The word "profession" was interpreted in the context of "business" and "trade", and it was held that a private doctor's dispensary is not a commercial establishment. [(Dr. Devendra M. Surti v. State of Gujarat, 1969)] c. Thus, words must be interpreted based on their association with other words in the same provision.

19. Doctrine of Contemporenea Expositio

	Explanation
1.	a. The doctrine states that a statute or document should be interpreted based on the understanding it received from contemporary authorities at the time it was enacted. b. "Contemporanea Expositio est optima et fortissinia in lege" means "contemporaneous exposition is the best and strongest in the law." c. This implies that a law should be interpreted in the way it was understood when it was passed.
2.	Custom as an Interpreter of Law "Optima legum interpres est consuetude" means "Custom is the best interpreter of law." Courts consider long-established interpretations as strong evidence of the law's meaning.
3.	Example: Cox v. Leigh (43 LJQB 123) The court interpreted a statute by referring to how it had been understood for 160 years, reinforcing that historical interpretation holds weight in legal decisions.
4.	Application a. This maxim applies mainly to ancient statutes. b. It does not apply to modern Acts, where more contemporary methods of interpretation are used.

20. Internal Aids to Interpretation/construction

	Explanation
1.	Long Title An enactment has two types of titles: a. Short Title: A simple name used for identification and convenience. b. Long Title: A detailed description of the enactment, explaining its purpose.
2.	Preamble a. The Preamble explains the scope, purpose, and objectives of an Act more fully than the Long Title. b. It states the reason for making the law and the problem it aims to solve. c. Like the Long Title, the Preamble is part of the enactment and can be used for interpretation. d. However, it cannot override the clear provisions of the Act. e. If the statute's wording is unclear or has multiple meanings, the Preamble helps determine the correct interpretation. f. In short, the Preamble shows the legislature's intent but is only used when the statute's language is ambiguous. Ex: Gullipoli Sowria Raj v. Bandaru Pavani, the Preamble of the Hindu Marriage Act, 1955 was used to interpret that only Hindus can marry under this Act.

3.	Headings and Titles of Chapters a. In an Act, sections related to a specific subject are often grouped under headings or titles, sometimes forming chapters. b. These headings and titles can be used to interpret the enactment or its parts. c. They help clarify the meaning of unclear expressions within a section. d. However, they cannot override the plain meaning of the enactment's words. e. Like the Preamble, headings may indicate the scope of a section but cannot control or override it.
4.	Marginal Notes a. Summaries or side notes found next to a section in an Act. b. They are not part of the enactment and cannot be used for interpretation unless absolutely necessary. Ex: C.I.T. v. Ahmedbhai Umarbhai & Co., the court ruled that marginal notes cannot be used for interpretation.
5.	Definitional Sections/Interpretation Clauses Legislatures often include definitions in statutes to clarify the meaning of certain words and expressions. Courts must follow these statutory definitions and cannot independently interpret the terms. The purpose of a definition clause is: a. To provide a key for interpretation of the enactment. b. To shorten the language by avoiding repeated explanations. Construction of Definitions: a. Restrictive and Extensive Definitions ✓ If a word is defined as "means", it is restrictive and exhaustive, limiting its meaning strictly to what is stated. ✓ If a word is defined as "includes", it is extensive, covering additional meanings beyond the ordinary sense. ✓ If a word is defined as "means and includes", the definition is exhaustive. ✓ If defined as "applies to and includes", the definition is extensive. b. Ambiguous Definitions ✓ If the definition itself is unclear, it must be interpreted alongside other provisions of the Act and the ordinary meaning of the word. ✓ A definition should add precision to a term, not contradict or replace it. c. Definitions Subject to a Contrary Context ✓ When a word has multiple meanings, its specific use depends on the context, the Act's scheme, the provision's language, and the intended objective.
6.	Illustrations a. Many sections include illustrations that follow the text but are not part of the section itself. However, these illustrations are still part of the statute and help in interpreting the section. b. Illustrations:

	✓ Are useful for understanding the section's meaning. ✓ Do not modify the language of the section. ✓ Cannot curtail or expand the section's scope.
7.	Proviso a. A proviso serves to exclude or qualify something in an enactment that would otherwise fall within its scope. It is usually part of the main section and starts with "provided that." b. Purpose of a Proviso: ✓ Qualifies or creates an exception to the main provision. ✓ Does not state a general rule but restricts broad language. ✓ Exception clauses limit the main provision to specific cases. ✓ Savings clauses protect existing rights, remedies, or privileges. c. A proviso applies only to the provision it is attached to and does not extend beyond its intended scope
8.	Explanation An Explanation is sometimes added to a section to clarify the meaning of certain words, phrases, or the section's intent. It may include or exclude something from the section. a. It should be read harmoniously with the main section to resolve ambiguities. b. It should not expand the scope of the section. c. The purpose of an Explanation depends on its wording, not just its general intent. d. Objects of an explanation to a statutory provision ✓ Explain the meaning and intendment of the Act itself ✓ Clarify any obscurity and vagueness (if any) in the main enactment to make it consistent with the object ✓ Provide an additional support to the object of the Act to make it meaningful and purposeful ✓ Fill up the gap which is relevant for the purpose of the explanation to suppress the mischief and advance the object of the Act ✓ Cannot take away a statutory right
9.	Schedules a. The Schedules form part of an Act. Therefore, they must be read together with the Act for all purposes of construction. b. However, the expressions in the Schedule cannot control or prevail over the expression in the enactment. c. If there appears to be any inconsistency between the schedule and the enactment, the enactment shall always prevail. d. They often contain details and forms for working out the policy underlying the sections of the statute
10.	Read the Statute as a Whole

	A statute must be interpreted as a whole, considering all its parts together rather than in isolation. a. A deed should be read in its entirety to understand the true meaning of its clauses. b. Each clause should be interpreted harmoniously with others, provided it does not distort their natural meaning. c. The same principle applies to Acts and Rules passed by the legislature. Ex: If one section of an Act requires 'notice' should be given, then a verbal notice would generally be sufficient. But, if another section provides that 'notice' should be 'served' on the person or 'left' with him, or in a particular manner or place, then it would obviously indicate that a written notice was intended.

21. External Aids to Interpretation/construction

	Explanation
1.	Historical Setting The historical background leading to an enactment is crucial for its interpretation. a. External and historical facts help in understanding the subject matter, scope, and objective of the enactment. b. Parliamentary history, ancient statutes, contemporary works, and writings are relevant in construing an Act. c. It is also essential to determine whether the statute modifies existing law or retains it as it was.
2.	Consolidating Statutes & Previous Law When a Preamble states that an Act is meant to "consolidate" existing law, courts assume no change was intended. a. Courts use this presumption to resolve doubtful points in the statute. b. They may avoid literal interpretation if it contradicts this intention.
3.	Usage Usage can help interpret a statute when its meaning is unclear. a. Actions taken under a statute often reveal its true intent. b. It is well known that where the meaning of the language in a statute is doubtful, usage – how that language has been interpreted and acted upon over a long period – may determine its true meaning. c. It has been emphasized that when a legislative measure of doubtful meaning has, for several years, received an interpretation which has generally been acted upon by the public, the Courts should be very unwilling to change that interpretation, unless they see cogent reasons for doing so.
4.	EARLIER & LATER ACTS AND ANALOGOUS ACTS a. Exposition of One Act by Language of Another ✓ When different statutes are in pari materia (on the same subject), they should be read together as one system to explain each other.

	✓ If two Acts must be read together, every part of each should be interpreted as if they form a single Act. ✓ However, if a clear discrepancy exists, the later Act may modify the earlier one. ✓ A later Act stating that an earlier Act should be read consistently with it means any exclusions in the later Act apply to the earlier one as well. ✓ If a section from Act 'A' is incorporated into Act 'B', it should retain the meaning it had in Act 'A', and reference can be made to Act 'A' to interpret it. ✓ When a later rule expands a definition (e.g., allowing "any person" as chairman), it should be harmonized with earlier rules to mean any eligible person with the required qualifications. b. Earlier Act Explained by the Later Act ✓ The later Act can help interpret an ambiguous earlier Act if both are in pari materia. ✓ If the earlier Act prohibited something but the later Act simply omits the prohibition, it does not automatically mean affirmation. The law's status before the prohibition and the new provisions must be considered. c. Reference to Repealed Act ✓ When a part of an Act is repealed, it loses effect but can still be referred to for understanding the un-repealed sections, as it forms part of the Act's legislative history.
5.	Dictionary Definitions First, we check if the Act itself defines a particular word or expression. a. If not, we refer to dictionaries for its general meaning. b. The context in which the word is used in the Act must always be considered. c. Words in an Act take their meaning from their context. d. Judicial decisions interpreting words in related laws (pari materia) carry more weight than dictionary meanings. e. For technical terms, reference can be made to technical dictionaries.
6.	Use of Foreign Decisions Foreign decisions of countries following the same system of jurisprudence as ours and given on laws similar to ours can be legitimately used for construing our own Acts. However, prime importance is always to be given to the language of the Indian statute. Further, where guidance can be obtained from Indian decisions, reference to foreign decisions may become unnecessary.

22. Rules of Interpretation/construction of Deeds and Documents

	Explanation
1.	Understanding by a Reasonable Person A deed or document should be interpreted as a reasonable person would understand it, considering the surrounding circumstances, scope, and intent.
2.	Reading as a Whole

	A deed must be read in its entirety to derive the true meaning of its clauses. Each clause should be interpreted in harmony with others, provided it does not distort the natural meaning.
3.	Golden Rule of Construction a. The intention of the parties should be determined based on the ordinary, natural meaning of the words used. b. The status and training of the parties should be considered, as words may hold different meanings for different individuals. c. A trained conveyancer may use words with precise legal meaning, but the same strict interpretation may not apply to an untrained person. (Ramkishorelal v. Kamalnarayan, 1963)
4.	Comparison with Other Documents Each deed should be interpreted independently, without reference to the terms of another.
5.	Consistency in Meaning A word should not have two different meanings in the same document unless the context demands it.
6.	Resolving Conflicts in Clauses a. If two clauses conflict, an effort must be made to interpret them harmoniously. b. If reconciliation is impossible, the earlier clause prevails over the later one. c. If different parts of a document conflict, the earlier part takes precedence, and the later part is disregarded.

15. THE FOREIGN EXCHANGE MANAGEMENT ACT 1999

BROAD STRUCTURE OF FEMA

The Act consists of 7 Chapters dealing with following areas:

Chapters	Matters	Sections
1.	Preliminary	1 - 2
2.	Regulation and Management of Foreign Exchange	3 - 9
3.	Authorised Person	10 - 12
4.	Contravention and Penalties	13 - 15
5.	Adjudication and Appeal	16 - 35
6.	Directorate of Enforcement	36 - 38
7.	Miscellaneous	39 - 49

1. Salient Features of FEMA 1999

	Features
1.	It provides for- a. Regulation of transactions between residents and non-residents b. Investments in India by non-residents and overseas investments by Indian residents c. Freely permissible transactions on current account subject to reasonable restrictions that may be imposed. d. Reserve Bank of India (RBI) and Central Government control over capital account transactions e. Requirement for realisation of export proceeds and repatriation to India f. Dealing in foreign exchange through 'Authorised Persons' like Authorised Dealer/ Money Changer/ Off-shore banking unit g. Adjudication and Compounding of Offences h. Investigation of offences by Directorate of Enforcement i. Appeal provisions including Special Director (Appeals) and Appellate Tribunal.
2.	Enforcement of FEMA While RBI oversees foreign exchange transactions, enforcement is handled by the Directorate of Enforcement.

2. Preamble, Extent, Application and Commencement of FEMA,1999

	Content
1.	Preamble The Act aims to consolidate and amend laws related to foreign exchange with two key objectives: a. Facilitating external trade and payments. b. Promoting an orderly development and maintenance of foreign exchange market in India.
2.	Extent & Application: FEMA 1999

	a. Extends to the whole of India. b. Applies to branches, offices, and agencies outside India if owned or controlled by an person resident in India. c. Covers contraventions committed outside India by anyone to whom the Act applies.
3.	Commencement FEMA, 1999 came into force on 01-06-2000.

3. Definitions

	Definition
1.	Authorised Person means a. authorised dealers, b. money changers, c. offshore banking units, or d. any other person authorised u/s 10(1) to deal in foreign exchange or foreign securities.
2.	Capital Account Transaction means a transaction that alters: a. assets or liabilities (incl Contingent Liability) Outside India of PRII. b. assets or liabilities In India of PROI.
3.	Currency Includes currency notes, postal notes, money orders, cheques, drafts, travelers' cheques, letters of credit, bills of exchange, promissory notes, credit cards, and other notified instruments by RBI.
4.	Currency Notes means & includes cash in the form of coins and banknotes.
5.	Current Account Transaction Any transaction other than a capital account transaction, including: a. Payments for foreign trade, services, banking, and credit facilities. b. Interest on loans & investment income. c. Remittances for living expenses of family abroad. d. Expenses for foreign travel, education, and medical care.
6.	Foreign Currency means Any currency other than Indian currency.
7.	Foreign Exchange means foreign currency Includes: a. Deposits, credits and balances payable in any foreign currency, b. Drafts, travelers' cheques, letters of credit or bills of exchange, expressed or drawn in Indian currency but payable in any foreign currency, c. Drafts, travelers' cheques, letters of credit or bills of exchange drawn by banks, institutions or persons outside India, but payable in Indian currency;
8.	Foreign Security means Any security (shares, stocks, bonds, debentures) denominated in foreign currency, including securities denominated in foreign currency but returns (interest/dividends) are payable in Indian currency.
9.	Person Includes:

	a. Individuals. b. Hindu Undivided Family (HUF). c. Companies, firms, and associations. d. Artificial juridical persons. e. Agencies, offices, branches owned or controlled by such persons.
10.	Person Resident in India (PRII) a. A person residing in India for more than 182 days during the course of the preceding financial year but does not include— ✓ A person who has gone out of India or who stays outside India, in either case— ▪ For or on taking up employment outside India, or ▪ For carrying on outside India a business or vocation outside India, or ▪ For any other purpose, in such circumstances as would indicate his intention to stay outside India for an uncertain period. ✓ A person who has come to or stays in India, in either case, otherwise than: ▪ For or on taking up employment in India, or ▪ For carrying on in India a business or vocation in India, or ▪ For any other purpose, in such circumstances as would indicate his intention to stay in India for an uncertain period; b. Any person or body corporate registered or incorporated in India, c. An office, branch or agency in India owned or controlled by a person resident outside India, d. An office, branch or agency outside India owned or controlled by a person resident in India;
11.	Person Resident Outside India (PROI) *means any person who is not resident in India*
12.	Transfer Includes sale, purchase, exchange, mortgage, pledge, gift, loan, or any other form of title transfer.

4. Residential Status Under FEMA,1999

Content	
13.	Key Points on Residential Status a. Citizenship is not a criterion for determining residency under FEMA. b. Residential status is determined from a specific date, unlike the Income-tax Act which considers a full year. c. FEMA is a regulatory law, requiring real-time determination of residential status for transactions. *Examples:* a. *If a person resides in India for more than 182 days during FY 2020-21, then for the FY 2021-22, the person will be an Indian resident. For FY 2020-21, one will have to consider residence during FY 2019-20, and so on.*

	b. *If a person leaves India on 01-11-2021, he will be a non-resident from 02-11-2021 even though his number of days in India was more than 182 days in FY 2020-2021. Similarly, if a person goes and stays out of India for carrying on any business, he will be a PROI from that date. For FY 2021-2022 the person will be a PRII till 01-11-2021. He will then be a PROI. From 01-04-2022, the person will continue to be a PROI as long as he stays out of India for employment.* c. *If a person comes to India on 01-06-2021 for visiting his parents. However, his parents fall sick and he stays till 31-03-2022. Thereafter he continues to stay in India. It is however certain that he will leave India in next 6 months when his parents recover. His stay in India is neither for employment, nor for business, nor for circumstances which show that he will stay in India for an uncertain period. In such a case, even if he has resided in India for more than 182 days in FY 2021-2022, he will continue to be a non-resident from 01-04-2022 also. In FY 2021-2022, he is of course a PROI as he did not reside in India for more than 182 in FY 2020-2021.* a. *If a person comes to India on 01-06-2021 for employment, business or circumstances which indicate his intention to stay in India for an uncertain period, he will be a PRII from 01-06-2021.*
14.	Special Cases a. HUF, AOP, and BOI: ✓ These entities cannot be employed or travel abroad, so exception clauses do not apply to them. ✓ If they are in India, they are considered PRII. b. Corporate Entities: Any company registered in India is a PRII. c. Offices, Branches, and Agencies: ✓ A branch outside India, owned by a PRII, is a PRII to prevent FEMA violations. ✓ A branch in India, owned by a PROI, is treated as a PRII to facilitate business transactions.

5. Provisions of FEMA,1999 in Regulating and Managing Foreign Exchange

	Content
1.	Dealing in Foreign Exchange (Sec 3) No person shall: a. Deal in or transfer foreign exchange or foreign security unless they are an Authorised Person. b. Make payments to a PROI without RBI permission. c. Receive payments from a PROI other than through an Authorised Person. d. Enter into financial transactions in India to acquire, create, or transfer assets outside India. e. Exceptions: Transactions can be carried out if: ✓ Specifically permitted under FEMA. ✓ With general or special permission from the RBI.

2.	Financial Transaction includes: a. Making/receiving payments to or for another person. b. Issuing, drawing, or negotiating bills of exchange or promissory notes. c. Transferring securities or acknowledging debts.
3.	Purpose of Sec 3 a. Regulates inflow and outflow of foreign exchange. b. Ensures transactions are conducted through authorised dealers. c. Applies to both PRII and PROI.
4.	Holding of Foreign Exchange (Sec 4) A PRII cannot acquire, hold, own, possess, or transfer foreign exchange, foreign security, immovable property abroad unless permitted under FEMA notifications. Ex: If an Indian resident inherits US$ 10,000 from his uncle in London, he must repatriate (bring back) the funds to India as per Sec 8.

6. Current Account Transactions

	Details
1.	Current Account Transactions: a. Any person can sell or draw foreign exchange to or from an authorized person if it is a current account transaction. b. Government Restrictions: CG, in public interest and after consulting the RBI, may impose reasonable restrictions on current account transactions as per the FEM (Current Account Transactions) Rules, 2000. c. General Rule: ✓ Current Account transactions are freely permitted unless specifically prohibited. ✓ Capital Account transactions are prohibited unless specifically or generally permitted.
2.	Import of Machinery a. An Indian resident imports machinery from a UK vendor for installation. b. Even though machinery is a capital expenditure under income-tax law, it does not create an asset or liability between India and the UK under FEMA. c. Therefore, it is a Current Account Transaction.
3.	Import on Credit a. Indian resident imports machinery from the UK with a 3-month credit period. b. Even though there is a liability to the UK vendor, short-term banking and credit facilities are considered Current Account Transactions under FEMA.
4.	Gift Transfer a. An Indian resident gift US$ 1,000 to his NRI brother in New York. b. Once the gift is transferred, no asset or liability is created in India or the USA. c. Hence, it is a Current Account Transaction.

5.	Gifts & Restrictions: - a. Gift in Indian Rupees from PRII to PROI in India: This creates an Indian asset for the PROI, making it a Capital Account Transaction. b. Gift from PROI to PRII (funds remitted to India): Allowed. However, if the funds are given abroad, the PRII must repatriate them to India.

7. Restrictions Imposed by CG in Current Account Transactions

	Content
3.	Schedule I - Prohibited Transactions Transactions for which drawal of foreign exchange is prohibited: a. Remittance out of lottery winnings. b. Remittance of income from racing/riding, etc., or any other hobby. c. Remittance for purchase of lottery tickets, banned/prescribed magazines, football pools, sweepstakes etc. d. Payment of commission on exports made towards equity investment in Joint Ventures/Wholly Owned Subsidiaries abroad of Indian companies. e. Remittance of dividend by any company to which the requirement of dividend balancing is applicable. f. Payment of commission on exports under Rupee State Credit Route, except commission up to 10% of invoice value of exports of tea and tobacco. g. Payment related to "Call Back Services" of telephones. h. Remittance of interest income on funds held in Non-resident Special Rupee Scheme A/c.
4.	Schedule II - Transactions Requiring Prior Approval of CG

Purpose of Remittance	Ministry/Department of Govt. of India whose approval is required
Cultural Tours	Ministry of Human Resources Development (Department of Education and Culture)
Advertisement in foreign print media for the purposes other than promotion of tourism, foreign investments and international bidding (exceeding US$ 10,000) by a State Government and its Public Sector Undertakings.	Ministry of Finance, Department of Economic Affairs
Remittance of freight of vessel charted by a PSU	Ministry of Surface Transport (Chartering Wing)
Payment of import through ocean transport by a Govt. Department or a PSU on c.i.f. basis (i.e., other than f.o.b. and f.a.s. basis)	Ministry of Surface Transport (Chartering Wing)

	Multi-modal transport operators making remittance to their agents abroad	Registration Certificate from the Director General of Shipping
	Remittance of hiring charges of transponders by a. TV Channels b. Internet service providers	Ministry of Information and Broadcasting Ministry of Communication and Information Technology.
	Remittance of container detention charges exceeding the rate prescribed by Director General of Shipping	Ministry of Surface Transport (Director General of Shipping)
	Remittance of prize money/ sponsorship of sports activity abroad by a person other than International/ National/State Level sports bodies, if the amount involved exceeds US $ 100,000	Ministry of Human Resource Development (Department of Youth Affairs and Sports)
	Remittance for membership of P & I Club	Ministry of Finance (Insurance Division)
5.	Schedule III - Permitted Transactions (Limit: $250,000 per year) Facilities for individuals—Individuals can avail of foreign exchange facility for the following purposes within the limit of USD 250,000 only.: a. Private visits to any country (except Nepal and Bhutan) b. Gift or donation. c. Going abroad for employment d. Emigration e. Maintenance of close relatives abroad f. Travel for business or attending a conference or specialised training or for meeting expenses for meeting medical expenses, or check-up abroad, or for accompanying as attendant to a patient going abroad for medical treatment/ check-up. g. Expenses in connection with medical treatment abroad h. Abroad i. Any other current account transaction However, for the purposes mentioned at item numbers (d), (g) and (h) above, the individual may avail of exchange facility for an amount in excess of the limit prescribed under the LRS if it is so required by a country of emigration, medical institute offering treatment or the university, respectively.	
6.	Special Provisions a. LRS: ✓ Individuals (including minors) can remit up to $250,000 per FY for both Current and Capital Account Transactions. ✓ Not available to corporates, firms, HUFs, trusts. b. For persons resident but not permanently in India:	

	✓ Citizens of foreign states (except Pakistan) or Indian citizens on deputation abroad can remit up to their net salary after tax & PF deductions. ✓ For this schedule, a PRII on account of his employment or deputation of a specified duration (irrespective of length thereof) or for a specific job or assignments, the duration of which does not exceed 3 years, is a resident but not permanently resident.
7.	For entities (non-individuals): The following remittances by persons other than individuals shall require prior approval of the RBI: a. Donations: A company can donate up to 1% of its foreign exchange earnings (from the past 3 FY) or USD 5,000,000, whichever is lower, for: ✓ Establishing Chairs in reputed educational institutes. ✓ Contributing to funds (excluding investment funds) set up by educational institutes. ✓ Contributing to technical institutions, bodies, or associations related to the company's field of activity. b. Commission to Foreign Agents: For selling residential flats or commercial plots in India, commission per transaction cannot exceed USD 25,000 or 5% of the inward remittance, whichever is higher. c. Consultancy Service Remittances: ✓ Payments exceeding USD 10,000,000 per project for consultancy services related to infrastructure projects. ✓ Payments exceeding USD 1,000,000 per project for other consultancy services sourced from outside India. d. Reimbursement of Pre-Incorporation Expenses: An Indian entity cannot remit more than 5% of the investment brought into India or USD 100,000, whichever is higher, for pre-incorporation expense reimbursements.
8.	Exemptions from RBI Approval a. Remittance from RFC (Resident Foreign Currency) Account: No approval required for Schedule II & III transactions. b. Remittance from EEFC (Exchange Earners' Foreign Currency) Account: No approval required for most Schedule II & III transactions. Approval required for: ✓ P&I Club membership fees. ✓ Commission to foreign agents above $25,000 (real estate transactions). ✓ Pre-incorporation expense reimbursement above 5% of investment or $100,000. c. Payment via International Credit Card (while abroad): Allowed for all Schedule III expenses.
9.	Family Remittances & Clubbing Rules a. Family remittances can be consolidated, but capital account transactions (e.g., bank accounts, investments, property purchase) must be in joint ownership. b. Minors can remit under LRS, but their guardian must sign the declaration form.

2. Restrictions Imposed By RBI on Capital Account Transaction

	Content
1.	Regulation of Capital Account Transactions a. Capital Account Transactions include cross-border investments, loans, immovable property, and asset transfers. b. Any person can sell or draw foreign exchange from an Authorised Person for a Capital Account Transaction, subject to FEMA regulations.
2.	Regulatory Powers a. Before 15-10-2019: RBI had full control over all Capital Account Transactions. b. After 15-10-2019: ✓ RBI regulates Debt Instruments. ✓ CG regulates Non-Debt Instruments.
3.	RBI's Powers RBI, in consultation with the CG, can regulate: a. Permissible Capital Account Transactions involving Debt Instruments. b. Limits on foreign exchange for such transactions. c. Conditions imposed on such transactions.
4.	CG's Powers CG, in consultation with RBI, regulates: a. Capital Account Transactions not involving Debt Instruments. b. Limits on foreign exchange for such transactions. c. Conditions imposed on such transactions.
5.	Exceptions - No Restrictions on Certain Payments No restrictions on foreign exchange withdrawals for: a. Loan amortization payments. b. Depreciation of direct investments in normal business operations.
6.	Holding of Foreign Assets by PRII (Section 6(4)) A PRII can hold, own, transfer, or invest in: a. Foreign currency, securities, or immovable property acquired when they were a resident outside India. b. Assets inherited from a non-resident.
7.	Clarification on Sec 6(4) by RBI Covered transactions include: a. Foreign currency accounts opened when the person was a non-resident. b. Income from employment, business, or investments abroad during non-resident status. c. Foreign exchange and income arising from inherited assets abroad. d. PRII can freely use foreign assets or sale proceeds abroad for payments or new investments without RBI approval, provided the transactions comply with FEMA regulations.

8.	Holding of Indian Assets by PROI A PROI can hold, own, transfer, or invest in: a. Indian currency, securities, or immovable property acquired while they were a resident in India. b. Assets inherited from a resident Indian.
9.	Establishment of Foreign Offices in India RBI can regulate, restrict, or prohibit a PROI from setting up a branch, office, or place of business in India.
10.	Debt Instruments are those determined by the CG in consultation with RBI.

8. Relaxations Given By RBI on Capital Account Transaction

	Content
1.	Classification of Capital Account Transactions a. Permissible Transactions b. Transactions with No Restrictions c. Prohibited Transactions
2.	Permissible Transactions a. For PRII (Schedule I): ✓ Investment in foreign securities. ✓ Foreign currency loans raised in India & abroad. ✓ Transfer of immovable property outside India. ✓ Guarantees issued in favour of a PROI. ✓ Export, import, & holding of currency/currency notes. ✓ Loans & overdrafts from/to a PROI. ✓ Maintenance of foreign currency accounts in India & abroad. ✓ Insurance policy from foreign insurers. ✓ Remittance of capital assets abroad. ✓ Derivative contracts. b. For PROI (Schedule II): ✓ Investment in Indian securities. ✓ Investment in Indian firms, proprietorships, or associations. ✓ Acquisition & transfer of immovable property in India. ✓ Guarantees issued for PRII. ✓ Import & export of currency. ✓ Deposits between PRII & PROI. ✓ Foreign currency accounts in India. ✓ Remittance of capital assets in India. ✓ Derivative contracts.
3.	II. Transactions with No Restrictions No restrictions on foreign exchange withdrawals for: a. Loan amortization payments.

	b. Depreciation of direct investments in business. c. Loan installment repayments.
4.	III. Prohibited Transactions a. Foreign Exchange Restrictions ON PRII: ✓ PRII cannot withdraw more than $250,000 per FY for capital transactions without RBI approval. ✓ Funds cannot be remitted to Financial Action Task Force listed Non-Cooperative Countries. b. Restrictions on PROI Investments in India: PROIs cannot invest in: ✓ Chit funds (except with the approval of Registrar of Chits or an officer of SG, NRIs on a non-repatriation basis). ✓ Nidhi companies. ✓ Agricultural or plantation activities. ✓ Real estate business or construction of farmhouses (except REITs, townships, roads, bridges). ✓ Trading in Transferable Development Rights (TDRs). c. Transactions with North Korea: ✓ PRII cannot engage in capital transactions with entities or individuals from the Democratic People's Republic of Korea without CG approval. ✓ Existing investments must be liquidated within 180 days, unless extended by the government.

WINNER!

Let's score Exemption in Law! Yes, it's absolutely achievable, and I'm ready to put in the work for you. But remember, it takes two hands to clap. So, come on—join me! Together, we can conquer this and achieve success.

Master the with DVS LAW



Wish you
Clarity, Confidence and Success

www.shreshtaforcacma.com shreshtateam@gmail.com

ABOUT US

A Pioneer Institute in the digital classroom space, founded by CA Ram Harsha.

He has always catered to serve quality. As a result today, 'SHRESHTA' stands as the most preferred institution among students. We are privileged to provide the highest standard of coaching facility for CA and CMA students at most affordable prices, turning many of our students' dreams into reality.