

PART I – Case Scenario based MCQs (30 Marks)**Part I is compulsory.****Case Scenario 1**

Rishabh, a resident of Indore with a strong interest in film direction and production, decided to build his own venture in the entertainment field. After completing his specialised training in 2019 and gaining experience as a freelancer, he incorporated a film production company named Rishabh FrameCraft Private Limited (OPC) in July 2023, with its Registered Office in Mumbai.

Rishabh was the sole subscriber to the Memorandum of Association, with his mother, Mrs. Meera, as the nominee. The company had three directors — Rishabh himself, his brother Rivan and his sister Kritika. The Authorised Capital stated in the Memorandum was ₹ 40,00,000, while the paid-up capital was ₹ 10,00,000, entirely held by Rishabh.

Rishabh's father, Mr. Dinesh, served as Vice President (Marketing) at NovaCrest Pharma Limited, a listed pharmaceutical company. His work demanded frequent international travel, and during the financial year 2023–24, he travelled extensively across Europe from 1st June 2023 till 31st March 2024. He was also planning to migrate to Manchester, U.K., after his superannuation, which was two years away.

Rishabh's mother, Mrs. Meera, was a science teacher in a reputed public school in Indore and an active social worker.

With the support of his two co-directors, Rishabh steadily expanded the operations of Rishabh FrameCraft Private Limited (OPC) into radio, television, fashion films, music videos and other entertainment-related projects.

In July 2024, an unexpected development occurred when Mrs. Meera expressed her desire to withdraw her consent as the nominee due to a serious medical condition requiring specialized treatment. This situation required Rishabh to consider appointing a new nominee. After careful thought, he approached his father, Mr. Dinesh, requesting him to take up the role. Mr. Dinesh agreed to consider it positively but cautioned that the appointment must not result in any legal complications.

Around this time, Mr. Arvind Yatra, a renowned numerologist for over a decade, approached Rishabh to produce short films for his company, Arvind Numerix Private Limited (OPC). During their discussions, he suggested that Rishabh add the letters 'h' and 'v' to his name for better professional growth. Rishabh accepted the advice and, after completing the necessary legal formalities, changed his name to Rishhavy.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (of 2 marks each) given herein under:

1. Neel, a sales executive at NovaCrest Pharma Limited, working directly under Mr. Dinesh, Vice President (Marketing), wants to take a loan from the company to purchase its equity shares. Choose the correct option:
 - (a) Neel as an employee of NovaCrest Pharma Limited is not permitted to avail loan from NovaCrest Pharma Limited for purchasing its own equity shares.
 - (b) Neel is permitted to take such a loan, but only up to three months' salary.
 - (c) Neel is permitted to take such a loan, but only up to six months' salary.
 - (d) Neel is permitted to take such a loan, but only up to nine months' salary.

Ans. (C)

HINT : Sec. 67 Loans given To employees other than the directors or KMP in the employment
Conditions - (i) shares fully paid (ii) Maximum limit– 6 months salary or wages

2. From the Case Scenario, it is evident that with a view to start his own film production company, Rishhavv (earlier name Rishabh) incorporated a one-person company by the name Rishabh FrameCraft Private Limited (OPC) in July 2023. As regards the manner in which the company's name outside his Registered office in Mumbai shall be displayed, you are required to indicate the correct option from those stated below:

- (a) Rishabh FrameCraft Limited (One Person Company)
- (b) Rishabh FrameCraft Private Limited (One Person Company)
- (c) Rishabh FrameCraft (One Person Company) Private Limited
- (d) Rishabh FrameCraft Private Limited – One Person Company

Ans. (B)

HINT : Sec. 12(3) the words "One Person Company" shall be mentioned in Brackets below the name of such company, wherever its name is printed, affixed or engraved.

3. Assume that Mrs. Meera withdrew her consent to act as nominee and gave notice on 8th July 2024. Within what maximum time must Rishhavv nominate another person as the new nominee?

- (a) Rishhavv is required to nominate another person as nominee maximum within five days from the receipt of the notice of withdrawal of consent from his mother Mrs. Meera.
- (b) Rishhavv is required to nominate another person as nominee maximum within fifteen days from the receipt of the notice of withdrawal of consent from his mother Mrs. Meera.
- (c) Rishhavv is required to nominate another person as nominee maximum within twenty days from the receipt of the notice of withdrawal of consent from his mother Mrs. Meera.
- (d) Rishhavv is required to nominate another person as nominee maximum within thirty days from the receipt of the notice of withdrawal of consent from his mother Mrs. Meera.

Ans. (B)

HINT : Rule 4(3) Withdrawal: 15 days another Nominee by member

4. Suppose Rishhavv nominates Mr. Karan as the new nominee on 20th July 2024. By what date the company file shall file the notice with the Registrar of such change with the Registrar?

- (a) 25th July 2024
- (b) 30th July 2024
- (c) 19th August 2024
- (d) 20th August 2024

Ans. (C)

HINT : Rule 4(4) OPC within 30 days of receipt of the notice of withdrawal of consent under sub-rule (3) file with the Registrar, a notice of such withdrawal of consent and the intimation of the name of another person nominated by the sole member in Form No INC.4

Case Scenario 2



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

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

On the basis of above facts and by applying applicable provisions of the Limited Liability Partnership Act, 2008 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (of 2 marks each) given herein under:

5. Given that Arjun retired and Purple LLP continued with only Mira and Yellow Industries Limited, what

should Purple LLP have done within six months to comply with the LLP Act?

- (a) Dissolved the LLP
- (b) Continue operating with one designated partner
- (c) Appoint at least one body corporate which should be a foreign company
- (d) Appointed at least one more partner who should also be a designated partner, as every LLP should have at least two designated partners.

Ans. (D)

HINT :- Sec. 7 at least two DP who are individuals and at least one of them shall be a resident in India

6. According to the Limited Liability Partnership Act, 2008, choose the correct statement in relation to who must be a resident in India among the designated partners:

- (a) At least one individual designated partner shall be resident in India
- (b) All designated partners shall only be resident in India
- (c) It is mandatory for only corporate partners to be resident in India
- (d) At least four designated partners shall be resident in India

Ans. (A)

HINT :- Sec. 7 at least two DP who are individuals and at least one of them shall be a resident in India

7. In the given case scenario, suppose Yellow Industries Limited also leaves the LLP and the LLP continues business for more than six months with only one partner, who is personally liable for the obligation incurred during that period?

- (a) Mira
- (b) Both Mira and Yellow Industries Limited
- (c) Yellow Industries Limited
- (d) Mira, Arjun and Yellow Industries Limited

Ans. (A)

HINT :-Sec. 6. Minimum number of partners are two otherwise personal liability after 6m

Case Scenario 3- MUST DO



The Government of India, by an order dated 19th August 2025, appointed a Commission of Inquiry to investigate alleged environmental violations in the State of Maharashtra.

The notification was published in the Official Gazette on 24th August 2025, and the Commission was required to submit its report within 90 days from the date of the notification.

Subsequently, a dispute arose regarding the territorial jurisdiction of the Commission. The notification stated that the investigation would cover all environmental violations occurring within a 10-kilometre radius of the Godavari River. Several industries challenged this, arguing that the 10-kilometre distance should be measured along road distance rather than in a straight line.

Another issue arose regarding the service of notices to industries suspected of violations. The Commission sent notices through registered post, and some industries contended that the notices had not been effectively served.

The Commission's tenure was to expire on 17th November 2025. However, before that date, the Central Government issued an order extending the tenure "until further notice."

A Public Interest Litigation (PIL) was filed in the Bombay High Court, challenging the legality of this open-ended extension.

Additionally, the Government had appointed Mr. Arvind Rao as the Chairman of the Commission. Mr. Rao resigned on 25th September 2025 due to health reasons.

Through an Office Memorandum dated 30th September 2025, the Government appointed Ms. Kavita Mehta as his replacement, and she assumed charge on 5th October 2025.

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

8. When does the period for submitting the report expire?

- (a) 16th November 2025
- (b) 19th November 2025
- (c) 20th November 2025
- (d) 22nd November 2025

Ans. (D)

HINT :-Sec. 9 COMPUTATION OF TIME-exclude first in series of days

9. How should the 10-kilometre distance be measured as per the General Clauses Act, 1897?

- (a) Along the existing road network
- (b) In a straight line, on a horizontal plane
- (c) Using the shortest possible route
- (d) By any reasonable method chosen by the Commission

Ans. (B)

HINT :-Sec. 11 MEASUREMENT OF DISTANCE-straight line on a Horizontal Plane

10. Whether the Government of India has the power to modify the tenure "until further notice"?

- (a) Yes, because the authority to appoint includes the authority to vary the terms of appointment, including extending tenure.
- (b) No, because the General Clauses Act, 1897, does not permit any modification once a date is fixed.
- (c) No, because only the Legislature can extend the tenure of a statutory Commission, not the appointing authority.
- (d) No, because after the Commission begins functioning, any change in tenure must be approved by a Court, not by the appointing authority.

Ans. (A)

HINT :-Sec. 16 POWER TO APPOINT TO INCLUDE

Independent MCQs

11. Aarav Industries Ltd. convened a General Meeting (EGM) to approve a proposal for shifting the company's registered office from Delhi to Maharashtra. The resolution required a special resolution. At the meeting, the following votes were recorded:

- Votes in favour : 3,000
- Votes against : 1,200
- Invalid/abstained votes : 300

The company secretary declared that the resolution had been passed as a special resolution.

Based on the above, which of the following correctly states the legal requirement for a special resolution under the Companies Act, 2013?

- (a) The votes in favour must be twice the votes against.
- (b) The votes in favour must be three times the votes against.
- (c) The votes in favour must be not less than three-fourths of the votes cast against the resolution.
- (d) The votes in favour must be not less than two-thirds of the votes cast against the resolution. (2 Marks)

Ans. (B)

HINT:-[COA Sec. 13(1)] by SR r/w Sec. 114

12. Devika Constructions Ltd. is due to appoint its statutory auditor at its upcoming Annual General Meeting. The Board shortlists three options:

1. Mr. Arjun Malhotra, a practicing Chartered Accountant in individual capacity.
2. KS & Associates LLP, a Limited Liability Partnership with three partners (all Chartered Accountants).
3. Finplus Advisory Pvt. Ltd., a company providing financial consultancy services and staffed with qualified professionals.

Based on the provisions of the Companies Act, 2013, which of the following entities may legally be

eligible for appointment as statutory auditor?

- (a) Only KS & Associates LLP
- (b) Only Mr. Arjun Malhotra, as he is a practicing individual CA
- (c) Both Mr. Arjun Malhotra and KS & Associates LLP
- (d) Finplus Advisory Pvt. Ltd., because it provides professional services. (2 Marks)

Ans. (C)

HINT:-[COA Sec. 141(1) & 141(3)(a)] BC other than LLP

13. The Annual General Meeting (AGM) of Green Limited was held on 31.8.2024. Suppose the Chairman of the company after two days of AGM went abroad for next 31 days. Due to the unavailability of the Chairman, within time period prescribed for submission of copy of report of AGM with the registrar, the report as required was signed by two Directors of the company, of which one was additional Director of the company. Comment on the signing of this report of AGM.

- (a) Yes, the signing is in order as the report can be signed by any director in the absence of Chairman.
- (b) No, the signing is not in order as only the Chairman is authorised to sign the report
- (c) Yes, the signing is in order, as in the absence of Chairman at least two directors should sign the report.
- (d) No, the signing is not in order, since in case the Chairman is unable to sign, the report shall be signed by any two directors of the company, one of whom shall be the Managing director, if there is one and company secretary of the company. (2 Marks)

Ans. (D)

HINT:-[COA Sec. 121]

14. Mr. Amar (a resident individual) want to remit US\$ 60,000 to his son in the USA after winning a big lottery. Considering the provisions of the Foreign Exchange Management Act, 1999, choose the correct action which Mr. Tonmay would take to remit the said amount to his son in the USA.

- (a) Visit a local bank and request a direct transfer to his son's US bank account.
- (b) Cannot remit the said amount as remittance out of lottery winnings is prohibited.
- (c) Travel to the USA personally with the cash winnings, to give it to his son.
- (d) Convert the US Dollar winnings into a different currency before sending it to his son. (2 Marks)

Ans. (B)

HINT:-[FEMA – SCHEDULE I OF FEM [CUAT] RULES, 2000]

15. Mr. Rajneet, an Indian Resident individual, wishes to obtain Foreign Exchange for a gift remittance totaling US\$ 50,000. Which of the following statements accurately reflects the regulatory requirement under the Foreign Exchange Management Act, 1999 (FEMA)?

- (a) Mr. Rajneet can freely remit US\$ 50,000 for the gift as it is a current account transaction and the amount of gift remittance is less than US\$ 2,50,000.
- (b) Mr. Rajneet must seek prior approval from the RBI for the remittance exceeding US\$ 50,000.
- (c) Mr. Rajneet must seek prior approval from the RBI for any gift remittance, regardless of the amount.
- (d) Mr. Rajneet does not need to comply with any FEMA requirements as gift remittance does not fall under the purview of the FEMA 1999. (2 Marks)

Ans. (A)

HINT:-[FEMA – SCHEDULE III OF FEM [CUAT] RULES, 2000 upto LRS 2.5 lakh USD w/o RBI approval]

PART – II Descriptive Questions (70 Marks)**Question No.1 is compulsory.****Attempt any Four questions out of the remaining Five questions.**

1. (a) The Annual General Meeting of Promax Limited held on 30th May, 2025, declared a dividend at the rate of 30% payable on its paid-up equity share capital as recommended by Board of Directors. However, the company was unable to post the dividend warrant to Mr. Trishul, an equity shareholder, up to 25th July, 2025. Mr. Trishul filed a suit against the company for the payment of dividend along with interest at the rate of 20 percent per annum for the period of default. Decide in the light of provisions of the Companies Act, 2013, whether Mr. Trishul would succeed? Also, state the directors' liability in this regard under the Act. (5 Marks)

Ans.

Section 127 of the Companies Act, 2013 lays down the penalty for non-payment of dividend within the prescribed time period of 30 days. According to this section where a dividend has been declared by a company but has not been paid or the warrant in respect thereof has not been posted within 30 days from the date of declaration of dividend to any shareholder entitled to the payment of dividend:

- (1) **every director** of the company shall, if he is knowingly a party to the default, be punishable with imprisonment maximum up to two years and with minimum fine of rupees one thousand for every day during which such default continues; and
- (2) the **company** shall be liable to pay simple interest at the rate of 18% per annum during the period for which such default continues.

In the given question, the company was unable to post dividend warrant within 30 days from the date of declaration of dividend. Thus, the directors will be liable as per the above provisions and the company is liable to pay simple interest. However, Mr. Trishul will not succeed if he claims interest at 20% per annum interest as the limit prescribed under section 127 is 18% per annum.

- (b) Vivek Limited is holding 58% of the paid up share capital of Brain Limited. Vijay, one of the shareholders of Vivek Limited, holding 10% shares of the company, has made a charitable trust. He donated his 10% shareholding in Vivek Limited and ₹ 20 crore to the trust. He appointed Brain Limited as the trustee. All the assets of the trust are held in the name of Brain Limited.

As per the provisions of the Companies Act, 2013, decide whether Brain Limited can hold shares of Vivek Limited. (5 Marks)

Ans.

According to **section 19** of the Companies Act, 2013 a company shall not hold any shares in its holding company either by itself or through its nominees. Also, holding company shall not allot or transfer its shares to any of its subsidiary companies and any such allotment or transfer of shares of a company to its subsidiary company **shall be void**.

Following are the **exceptions to the above rule**—

- (a) where the subsidiary company holds such shares as the legal representative of a deceased member of the holding company; or
- (b) where the subsidiary company holds such shares as a trustee; or
- (c) where the subsidiary company is a shareholder even before it became a subsidiary company of the holding company *but in this case, it will not have a right to vote* in the meeting of holding company.

In the given case, one of the shareholders of holding company (Vivek Limited) has transferred his shares in the holding company to a trust where the shares will be held by subsidiary company (Brain Limited). It means now subsidiary will hold shares in the holding company. But it will hold shares in the capacity of a trustee. Therefore, we can conclude that in the given situation Brain Limited can hold shares in Vivek Limited.

- (c) Mr. Gagan was employed as a premium baker in Del Bakers., a public limited company in Gurugram, India during the financial year 2024-25. He had efficiently provided his services for 183 days during the above said period. On 01.04.2025, Mr. Harish, the Human Resource Manager of Jeff Bakers Ltd., Rome (a foreign country) offered him a better employment opportunity in the company.

On 02.04.2025, Mr. Gagan left India for taking up employment as a production controller at Jeff

Bakers Ltd. in Rome. On 30.04.2025 he flew back to India for a 10 day family function in Garwhal, India.

In light of the provisions of the Foreign Exchange Management Act, 1999, elucidate, the residential status of Mr. Gagan, on his return for attending the family function on 30.04.2025. (4 Marks)

Ans.

According to **section 2(v)** of the Foreign Exchange Management Act, 1999, "Person resident in India" means 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, for or on taking up employment besides with the other specified purposes, outside India.

In the given question, Mr. Gagan will be treated as a **person resident outside from 2.4.2025** till the time he works in Jeff Bakers Ltd. in Rome, as he has gone out of India for or on taking up employment outside India.

His return to India for 10 days to attend a family function, will not alter his residential status.

2. (a) The Articles of Association of ABC Limited require the personal presence of 7 members to constitute quorum of General Meetings. The company has 870 members as on the date of meeting. The following persons were present in the extra-ordinary meeting to consider the appointment of Managing Director:

- (i) A, the representative of Governor of Karnataka.
- (ii) B and C, shareholders of preference shares.
- (iii) D, representing Green Limited and Blue Limited.
- (iv) E, F, G and H as proxies of shareholders.

Can it be said that the quorum was present in the meeting? (5 Marks)

Ans.

According to **section 103** of the Companies Act, 2013, unless the articles of the company provide for a larger number in case of a public company, five members personally present if the number of members as on the date of meeting is not more than one thousand, shall be the quorum.

In this case the quorum for holding a general meeting is 7 members to be personally present (**higher of 5 or 7**). For the purpose of quorum, only those members are counted who are entitled to vote on resolution proposed to be passed in the meeting.

Again, only members present in person and not by proxy are to be counted. Hence, proxies whether they are members or not will have to be excluded for the purposes of quorum.

If a company is a member of another company, it may authorize a person by resolution to act as its representative at a meeting of the latter company, then such a person shall be deemed to be a member present in person and counted for the purpose of quorum. Where two or more companies which are members of another company, appoint a single person as their representative then each such company will be counted as quorum at a meeting of the latter company.

Further the President of India or Governor of a State, if he is a member of a company, may appoint such a person as he thinks fit, to act as his representative at any meeting of the company. A person so appointed shall be deemed to be a member of such a company and thus considered as member personally present.

In view of the above there are only three members personally present.

'A' will be included for the purpose of quorum. B & C have to be excluded for the purpose of quorum because they represent the preference shares and since the agenda being the appointment of Managing Director, their rights cannot be said to be directly affected and therefore, they shall not have voting rights. D will have two votes for the purpose of quorum as he represents two companies Green Limited and Blue Limited. E, F, G and H are not to be included as they are not members but representing as proxies for the members.

Thus, it can be said that the **requirement of quorum has not been met** and it shall not constitute a valid quorum for the meeting.

- (b) The Companies Act, 2013, prescribes certain classes of unlisted public companies to appoint internal auditor. Enumerate such unlisted public companies that are required to appoint internal auditor. (5 Marks)

Ans.

The following class of companies shall be required to appoint an internal auditor which may be either an individual or a partnership firm or a body corporate, namely:

- (1) every listed company;
- (2) every unlisted public company having-
 - (A) **paid up share capital** of 50 crore rupees or more during the preceding financial year; or
 - (B) **turnover** of 200 crore rupees or more during the preceding financial year; or
 - (C) **outstanding loans or borrowings** from banks or public financial institutions exceeding 100 crore rupees or more at any point of time during the preceding financial year; or
 - (D) **outstanding deposits** of 25 crore rupees or more at any point of time during the preceding financial year.

- (c) State the provisions of the General Clauses Act, 1897 relating to 'gender and number'. (4 Marks)

Ans.

Gender and number

According to **section 13** of the General Clauses Act, 1897, in all legislations and regulations, unless there is anything repugnant in the subject or context:

- (1) Words importing the masculine gender shall be taken to include females, and
- (2) Words in singular shall include the plural and vice versa.

In accordance with the rule that the words importing the masculine gender are to be taken to include females, the word men may be properly held to include women, and the pronoun 'he' and its derivatives may be construed to refer to any person whether male or female. So, the words 'his father and mother' as they occur in section 125(1)(d) of the CrPC, 1973 have been construed to include 'her father and mother' and a daughter has been held to be liable to maintain her father unable to maintain himself.

Where a word connoting a common gender is available but the word used conveys a specific gender, there is a presumption that the provisions of General Clauses Act, 1897 do not apply.

3. (a) Box Limited is a company engaged in the business of manufacturing papers. Kindly explain the provisions related to quorum in meeting as per the provisions of the Companies Act, 2013. (5 Marks)

Ans.

According to **section 103(1)** of the Companies Act, 2013, **unless the articles** of the company provide for a larger number, in case of a public company:

- (1) five members personally present if the number of members as on the date of meeting is not more than one thousand,
 - (2) fifteen members personally present if the number of members as on the date of meeting is more than one thousand but up to five thousand,
 - (3) thirty members personally present if the number of members as on the date of the meeting exceeds five thousand,
- shall be the quorum for a meeting of the company.

The term '**members personally present**' as mentioned above refers to the members entitled to vote in respect of the items of business on the agenda of the meeting.

- (b) Answer the following citing relevant provisions of the Companies Act, 2013:

- (i) ABC Limited having paid-up capital of ₹ 1.00 crore availed a term loan of ₹ 10,00,000 from Y Bank Limited to purchase electrical items. Mr. Atanu, one of the directors of the company, is of the opinion that it shall be considered as 'deposit'. Is his contention correct?
- (ii) A Government Company, which is eligible to accept deposits under section 76 of the Companies Act, 2013, cannot accept deposits from public exceeding 25% of the aggregate of its paid-up capital, free reserves and security premium account. Is this correct? (5 Marks)

Ans.

- (i) In terms of **Rule 2 (1) (c) (iii)** of the Companies (Acceptance of Deposits) Rules, 2014, any amount received as a loan or facility from any **banking company** shall not be considered as 'deposit'.

In view of the above, the contention of Mr. Atanu that the term loan of ₹ 10,00,000 availed by the

company from Y Bank Limited shall be considered as 'deposit' is not correct.

- (ii) As per **Rule 3 (5)** of the Companies (Acceptance of Deposits) Rules 2014, a Government Company is not eligible to accept or renew deposits under section 76, if the amount of such deposits together with the amount of other deposits outstanding as on the date of acceptance or renewal **exceeds thirty five per cent** of the aggregate of its paid-up share capital, free reserves and securities premium account.

Therefore, the given statement where the limit of 25% has been stated for acceptance of deposits **is not correct.**

- (c) Explain the rule which suggests that 'Plain word requires no explanation'. (4 Marks)

Ans.

Rule that suggests 'Plain Word requires no explanation'

This Rule is called "**Rule of Literal Construction**".

It is a cardinal rule of construction that a statute must be construed literally and grammatically giving the words their ordinary and natural meaning. Therefore, the language used in the statute must be construed in its grammatical sense. The correct course is to take the words themselves and arrive if possible, at their meaning without reference to cases, in the first instance.

If the phraseology of a statute is clear and unambiguous and capable of one and only one interpretation, then it would not be correct to extrapolate these words out of their natural and ordinary sense. When the language of a statute is plain and unambiguous it is not open to the courts to adopt any other hypothetical construction simply with a view to carrying out the supposed intention of the legislature.

This principle is contained in the **Latin maxim "absoluta sententia expositore non indiget"** which literally means "an absolute sentence or preposition needs not an expositor". In other words, plain words require no explanation.

Sometimes, occasions may arise when a choice has to be made between two interpretations— one narrower and the other wider or bolder. In such a situation, if the narrower interpretation would fail to achieve the manifest purpose of the legislation, one should rather adopt the wider one.

4. (a) Explain the provisions of the Companies Act, 2013 relating to the 'Service of Documents' on a company and the members of the company? (5 Marks)

Ans.

Under **section 20** of the Companies Act, 2013 a document may be served on a **company or an officer** thereof by sending it to the company or the officer at the registered office of the company by registered post or by speed post or by courier service or by leaving it at its registered office or by means of such electronic or other mode as may be prescribed. However, in case where securities are held with a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic or other mode.

Under **section 20 (2)**, save as provided in the Act or the rule thereunder for filing of documents with the registrar in electronic mode, a document may be served **on Registrar or any member** by sending it to him by post or by registered post or by speed post or by courier or by delivering at his office or address, or by such electronic or other mode as may be prescribed. However, a member may request for delivery of any document through a particular mode, for which he shall pay such fees as may be determined by the company in its annual general meeting.

- (b) "LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership". Explain. (5 Marks)

Ans.

Limited Liability Partnership (LLP) is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership.

Limited Liability: Every partner of a LLP is, for the purpose of the business of LLP, the agent of the LLP, but not of other partners (Section 26 of the LLP Act, 2008). The liability of the partners will be limited to

their agreed contribution in the LLP, while the LLP itself will be liable for the full extent of its assets.

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

(c) The definition sometimes includes the words 'mean', 'include', 'means and include' and 'to apply to and include'. What is the meaning of such words? (4 Marks)

Ans.

Restrictive and extensive definitions: The definition of a word or expression in the definition section may either be restricting of its ordinary meaning or may be extensive of the same.

When a word is defined **to 'mean'** such and such, the definition is 'prima facie' restrictive and exhaustive, we must restrict the meaning of the word to that given in the definition section.

But where the word is defined **to 'include'** such and such, the definition is 'prima facie' extensive: here the word defined is not restricted to the meaning assigned to it but has extensive meaning which also includes the meaning assigned to it in the definition section.

We may also find a word being defined as **'means and includes'** such and such. In this case, the definition would be exhaustive.

On the other hand, if the word is defined **'to apply to and include'**, the definition is understood as extensive.

5. (a) The Companies Act, 2013 has prescribed an additional duty on the Board of directors to include in the Board's Report a 'Directors' Responsibility Statement'. Briefly mention any four matters to be furnished in the said statement. (5 Marks)

Ans.

Directors' Responsibility Statement: According to **section 134(5)** of the Companies Act, 2013, the Directors' Responsibility Statement referred to in **134(3)(c)** shall state that:

- (1) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (2) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (3) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (4) the directors had prepared the annual accounts on a going concern basis; and
- (5) the directors, in the case of a listed company, had laid down **internal financial controls** to be followed by the company and that such internal financial controls are **adequate** and were **operating effectively**.

Here, the term **"internal financial controls"** means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

- (6) the directors had devised proper systems to ensure compliance with the provisions of all **applicable laws** and that such systems were adequate and operating effectively.

(b) Manu and Romu are college friends and intend to do trading in musical instruments. They have met Mr. John and Ms. Kate who are non-resident Indian and they all have decided to form a Limited

Liability Partnership (LLP) under the name and style of Manu John LLP with an initial capital contribution of ₹ 1,00,000 each. The LLP was incorporated on October 15, 2024. The LLP intends to appoint Mr. John and Ms. Kate as designated partners and consults same with its Chartered Accountant. You as the Chartered Accountant advise the LLP on the appointment of Mr. John and Ms. Kate as the only designated partners of the LLP. (5 Marks)

Ans.

According to **section 7** of the Limited Liability Partnership Act, 2008, every Limited Liability Partnership shall have at least two designated partners who are individuals and at least one of them shall be a resident in India.

In the given case, Manu John LLP intends to appoint Mr. John and Ms. Kate (both are non-resident Indians) as the only designated partners. This is not in consonance with provisions of the Limited Liability Partnership Act, 2008, as at least one of the designated partners should be a resident in India.

(c) Mr. Zeus is unwell and would like to have a kidney transplant done in USA. He would like to know the formalities required and the amount that can be drawn as foreign exchange for the medical treatment abroad. Advise as per the provisions of the Foreign Exchange Management Act, 1999. (4 Marks)

Ans.

According to **section 5** of the FEMA, 1999, any person may sell or draw foreign exchange to or from an authorized person if such a sale or drawal is a current account transaction.

Provided that Central Government may, in public interest and in consultation with the reserve bank, impose such reasonable restrictions for current account transactions as may be prescribed.

As per the rules, drawal of foreign exchange for current account transactions are categorized under three headings:

1. Transactions for which drawal of foreign exchange is prohibited,
2. Transactions which need prior approval of appropriate government of India for drawal of foreign exchange, and
3. Transactions which require RBI's prior approval for drawal of foreign exchange.

"Remittance of foreign exchange for medical treatment abroad" requires prior permission or approval of RBI where the individual requires withdrawal of foreign exchange exceeding USD 250,000. The Schedule also prescribes that for the purpose of expenses in connection with medical treatment, the individual may avail of exchange facility for an amount in excess of the limit prescribed under the Liberalized Remittance Scheme, if so required by a medical institute offering treatment.

Therefore, Mr. Zeus can draw foreign exchange up to the USD 250,000 and no prior permission/ approval of RBI will be required. For amount exceeding the above limit, authorised dealers may release foreign exchange based on the estimate from the doctor in India or hospital or doctor abroad.

6. (a) State the persons responsible for complying with the provisions regarding maintenance of Books of Accounts of a company. Support with the help of relevant provisions of the Companies Act, 2013. (5 Marks)

Ans.

Persons responsible to maintain books: As per **section 128 (6)** of the Companies Act, 2013, the person responsible to take all reasonable steps to secure compliance by the company with the requirement of maintenance of books of account etc. shall be:

- (a) Managing Director,
- (b) Whole-Time Director, in charge of finance
- (c) Chief Financial Officer
- (d) Any other person of a company charged by the Board with duty of complying with provisions of section 128.

(b) Advise as per the provisions of the Companies Act, 2013, whether the following can be appointed as 'Debenture Trustee'?

- (i) A shareholder of the company who has shares of ₹ 10,000.
- (ii) A creditor whom the company owes ₹ 999 only.

(5 Marks)

Ans.

As per **section 71 (5)** of the Companies Act, 2013, no company shall issue a prospectus or make an offer or invitation to the public or to its members exceeding five hundred for the subscription of its debentures, unless the company has, before such issue or offer, appointed one or more debenture trustees and the

conditions governing the appointment of such trustees shall be such as may be prescribed.

Rule 18 (2) of the Companies (Share Capital and Debentures) Rules, 2014, framed under the Companies Act for the issue of secured debentures provide that before the appointment of debenture trustee or trustees, a written consent shall be obtained from such debenture trustee or trustees proposed to be appointed and a statement to that effect shall appear in the letter of offer issued for inviting the subscription of the debentures.

Further according to the provided rules inter-alia, no person shall be appointed as a debenture trustee, if he-

- (1) **beneficially** holds shares in the company;
- (2) is **beneficially** entitled to moneys which are to be paid by the company otherwise than as remuneration payable to the debenture trustee.

Thus, based on the above provisions answers to the given questions are as follows:

- (i) A shareholder who has holds shares of ₹ 10,000, cannot be appointed as a debenture trustee.
- (ii) A creditor whom company owes ₹ 999 cannot be appointed as a debenture trustee. The amount owed is immaterial.

(c) List any seven permissible classes of Capital account transactions that a person resident in India can undertake, under the Foreign Exchange Management Act (FEMA), 1999. (4 Marks)

Ans.

The list of permissible classes of transactions made by persons resident in India is:

- (a) Investment by a person resident in India in foreign **Securities**.
- (b) Foreign **currency loans** raised in India and abroad by a person resident in India.
- (c) Transfer of **immovable property** outside India by a person resident in India.
- (d) Guarantees issued by a person resident in India in favour of a person resident outside India.
- (e) Export, import and holding of **currency/currency notes**.
- (f) Loans and overdrafts (borrowings) by a person resident in India from a person resident outside India.
- (g) Maintenance of foreign currency accounts in India and outside India by a person resident in India.
- (h) Taking out of **insurance policy** by a person resident in India from an insurance company outside India.
- (i) Loans and overdrafts by a person resident in India to a person resident outside India.
- (j) Remittance outside India of **capital assets** of a person resident in India.
- (k) Undertake derivative contracts