

Roll No.

Total No. of Printed Pages - 20

Maximum Marks - 100

GENERAL INSTRUCTIONS TO CANDIDATES

1. The question paper comprises two parts, Part I and Part II.
2. Part I comprises Multiple Choice Questions (MCQs).
3. Part II comprises questions which require descriptive answers.
4. You will be allowed to leave the examination hall only after the conclusion of the exam. If you have completed the paper before time, remain in your seat till the conclusion of the exam.
5. Duration of the examination is 3 hours. You are required to submit the answer sheet. On the first page, note down all the options of the MCQs. Convert the completed answer book into a PDF and upload it on the app.
6. Students are not required to write the full text of the option given in MCQs. They only have to mention the option number in their answer sheet such as (a) or (b) or (c) or (d).
7. Candidate found copying or receiving or giving any help or defying instructions of the invigilators or having / using mobile phone or smart watch or any other electronic gadget will be expelled from the examination and will also be liable for further punitive action.

PART - II

70 Marks

1. Question paper comprises 6 questions. Answer Question No. 1 which is compulsory and any 4 out of the remaining 5 questions.
2. Working notes should form part of the answer.
3. Answers to the questions are to be given only in English except in the case of candidates who have opted for Hindi Medium. If a candidate has not opted for Hindi Medium, his/her answers in Hindi will not be evaluated.

Case Scenario 1

Aces High Builders Ltd. (AHBL) is Dehradun based public limited construction company engaged in the business of developing high-end flats and villas across prime locations in Uttarakhand, India. The company had procured land in the hills of Mussoorie in the year 2020. Since then, it has been engaged in the development of the above site thereby building a set of 12 villas and 75 flats. The builders have also tied-up with one of the U.S. based commission agent Mr. Cooper who would be promoting the above property amongst Non-Residents who would like to own their private accommodation in the above location. Mr. Cooper has successfully sealed a deal with a non-resident based in Las Vegas, U.S.A. for the purchase of one of the villas costing USD 600,000, for which he is to be paid a suitable commission on the above remitted amount.

The last year landslides and other geographical disruptions in the region during monsoon season has compelled the builders to obtain expert consultancy regarding shaping and curing of the land in and around the constructed site including designing the roads; power facilities in the region and other infrastructural backup so that the area can made safe for living all around the year. Accurate Consultants Ltd. an U.S.A. based consultancy services company has been hired to provide such services. Negotiations are been carried regarding the consultancy fees to be charged by them.

AHBL has lately started another unit engaged in the manufacturing and export of mortar mixing machines. During the current year it has received a sale order for two such machines from Italy. The machines have been packed in containers and shipped via sea to the Italian customers. Such containers have reached the Italian port. The Detention charges to be paid by the sellers are well above the rate as prescribed by Director General of Shipping.

The company has also explored areas near Rishikesh for developing of farm houses. At the initial stage, it has selected a piece of land at the outskirts of the city for the above purpose. Since the development requires huge investments, it has issued advertisements regarding the same in electronic media which has a worldwide coverage. Mr. Tony, a man of Indian origin, having migrated to U.S.A. in 1977 and he is much influenced by the above advertisement and has contacted the company with an offer to invest USD 260,000 in the same with the condition that 50% of the payment shall be made by him immediately and the rest shall be paid only after the keys to the fully developed farm house has been handed over to him. The company has agreed to his terms and is currently inviting suggestions from its legal team regarding the various nuances and feasibility of the same.

Based upon the above case scenario, you are required to opt the correct answer w.r.t. the following questions (Q. No.1 to Q. No.3) in light of the applicable provisions of the FEMA, 1999:

1. Considering the provisions of the FEMA, 1999 decide upon the maximum amount of commission that can be paid to Mr. Cooper as well as Consultancy charges to Accurate Consultants Ltd. for which approval of RBI would not be required under the above Act. 2
 - (A) USD 30000 and USD 10,000,000 respectively
 - (B) USD 25000 and USD 1,000,000 respectively
 - (C) USD 10000 and USD 1,00,000 respectively
 - (D) USD 15000 and USD 10000 respectively

2. Considering the provisions of the FEMA, 1999 decide upon the process of releasing the containers from Italian ports by the Indian company. 2
 - (A) AHBL shall have to obtain prior permission of Ministry of Surface Transport (DG Shipping) for payment of the detention charges as it exceeds the rates as prescribed by Director General of Shipping.
 - (B) AHBL shall have to obtain prior permission of both Ministry of Surface Transport as well as Ministry of Finance, Department of Economic Affairs as the transaction involves payment of foreign exchange as detention charges.
 - (C) AHBL shall have to obtain prior permission of Ministry of Finance, Department of Economic Affairs for payment of the detention charges as it exceeds the rates as prescribed by Director General of Shipping.
 - (D) AHBL need not obtain permission from any government authorities in India as now the ship is at the Italian ports away from Indian Jurisdiction.

3. Considering the provisions of the FEMA, 1999 the possible suggestion that can be given by the legal team regarding investment of USD 260,000 by Mr. Tony in the Rishikesh farmhouse project. 2
 - (A) Mr. Tony can very well invest USD 260,000 towards the farmhouse as being a person of Indian origin he is allowed to buy land in India.
 - (B) Mr. Tony can very well invest but only up to USD 250,000 towards the farmhouse as being a person of Indian origin he is allowed to buy land in India.
 - (C) Mr. Tony cannot invest USD 260,000 towards the farmhouse as being a non-resident.
 - (D) Mr. Tony cannot invest USD 260,000 in instalments of 50%, but only after paying the full one-time amount.

Case Scenario 2

Brilliant Company Ltd. has an existing paid-up equity share capital of ₹ 100 crore. Over the past few years, it has already issued sweat equity shares worth ₹ 20 crore. Now, it plans to issue additional sweat equity shares worth ₹ 10 crore. The board of directors passed a resolution and gave the approval for the allotment of shares.

Mr. Anuj and Ms. Anita are siblings who jointly hold 500 shares in AB Company. The share certificate was issued solely in Ms. Anita's name. Mr. Anuj sent an email to the company, requesting the issuance of an additional share certificate in his name, as he is a joint holder of the shares. In his request, he emphasized his equal ownership and the need for documentation reflecting the same. However, in response, the company denied his request, stating that as per company policy and applicable regulations, a separate share certificate cannot be re-issued in his name.

The company convened its 5th Annual General Meeting (AGM) on 12th September 2025 at the registered office. Notice for same was served on 20th August 2025. But due to certain technical errors the notice (which was delivered via e-mail) remained undelivered to the 3% of members who were to attend the AGM. Hence, the members (who were not able to attend meeting) were desperate to hold AGM again as the number of members who were not able to attend meeting was quite big. The company has issued unconditional apologies to its member who were not able to attend the meeting.

A shareholder, Mr. Dutta, who could not attend the meeting, wanted to inspect the minutes of the meeting. He visited the company's registered office on 16th September 2025 and was allowed to inspect the minutes for two hours. Later, he requested a physical copy of the minutes on 17th September 2025, along with the prescribed fees.

The company has declared dividend at the rate of 15% on its equity shares for the financial year ending 31st March 2026. However, the company has not made adequate profits during the financial year ending on 31st March 2026. The company had declared dividend of 10% in the financial year ending 31st March 2025. So now the company wants to declare the dividend at the rate of 15% out of its free reserves. A resolution for the same was passed by board of directors at the meeting.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 4-7, of 2 marks each) given herein under:

4. The company refused to issue a share certificate to Mr. Anuj. Being a joint share holder (of 500 shares) is it Mr. Anuj's right to get the share certificate issued in his name also? 2
- (a) Yes, being a joint shareholder, Mr. Anuj has the right to get a share certificate issued in his name.
 - (b) No. In case of joint holders, company shall issue only one share certificate and delivery of share certificate to any one of the joint holders will amount to delivery to all of them.
 - (c) Yes, Mr. Anuj can file a complaint against the company and get the share certificate issued in his name.
 - (d) Yes, because without share certificate Mr. Anuj will not be able to prove himself as shareholder of the company.
5. Due to technical error in the software, the notice for the AGM remained undeliverable to few members. What will be the impact this on the proceedings of the meeting? 2
- (a) The meeting needs to be rescheduled as big number of persons missed their right to attend the meeting & vote.
 - (b) An unintentional failure to give notice or its non-receipt by entitled members does not invalidate the meeting's proceedings.
 - (c) If the error came to the company's notice prior to the meeting, the company is duty bound to reschedule it.
 - (d) Members who missed the AGM due to a notice delivery failure can declare the proceedings to be invalid.
6. The company wants to declare the dividend at the rate of 15% out of its free reserves. Choose the correct statement? 2
- (a) The company has to declare dividend higher than the rate as paid for the year ended 31st March 2025.
 - (b) The dividend declared should not exceed the dividend paid in the year ended 31st March 2025.
 - (c) The company cannot declare any dividend as it incurred losses in the previous financial year.
 - (d) The company can declare dividend @15% inspite of inadequate profits in the financial year, if it fulfils the conditions as prescribed in the Companies Act, 2013 along with relevant Rules.

7. Based on provision of the Companies Act, 2013, by which date is the company legally required to furnish Mr. Dutta a copy of the minutes? 2
- Next working day
 - within 2 working days
 - within 7 working days
 - within 10 working days

Case Scenario 3

Silver Private Limited was incorporated in 2020 having its registered office at Gurugram, Haryana. It is registered with an authorised share capital of ₹ 10 crore divided into 1 crore equity shares of ₹ 10/- each. The paid-up share capital of the company is ₹ 50 lakh divided into 5 lakh equity shares of ₹ 10/- each. The company is in manufacturing of rubber parts to be used in manufacturing of parts of passenger vehicles.

Mr. Raj and Mr. Pawan are directors of the company. Mr. Siddharth (son of Mr. Raj) on January 8, 2026 had advanced a loan of ₹ 50 lakh at an interest rate of 8% p.a. and the loan is expected to be repaid after a period of thirty six months.

Silver Private Limited intends to accept deposits of ₹ 60 lakh from its members for the purpose of expansion of its business. The financial particulars of the company are as below mentioned: -

S. No.	Particulars	Amount (₹)
1	Paid-up share capital	50 lakh
2	Free Reserves	20 lakh
3	Security premium	10 lakh
4	Borrowings from banks	65 lakh
5	Turnover	200 lakh

As on the date of acceptance of deposits, the company has not defaulted in repayment of borrowings along with interest thereon.

The Company Secretary of the company informed Board of Directors of the company that they need to appoint an internal auditor for audit of the company. The Board stated that statutory auditor is already performing audit function and there is no need to appoint internal auditor as it causes additional burden on the company.

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The company require funds for the purpose of meeting working capital requirements. The company has approached the bank for meeting working capital requirements and has availed a loan of ₹ 65 lakh from bank. The loan is secured by the personal guarantee of the directors of the company.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein, choose the correct answer (one out of four) of the following Multiple Choice Questions (MCQs 8-10) given herein under: -

8. With respect to loan advances by Mr. Siddharth to Silver Private Limited, whether the same can be classified as deposit or not? 2
- It will be treated as deposit as the loan is advanced by Mr. Siddharth who is neither director nor shareholder of the company.
 - It will be treated as deposit as the loan is given by relative of the director.
 - It will not be treated as deposit as Mr. Siddharth has given loan to the company at an interest rate of 8% p.a.
 - It will not be treated as deposit if Mr. Siddharth gives a written declaration to the effect that loan is advanced by him from his own source of funds, not from borrowings or accepting loans or deposits from others and the company shall disclose the details of money so accepted in the Board's Report.
9. With respect to acceptance of deposits from members, which of the below mentioned statement is correct? 2
- Silver Private Limited cannot accept deposits of more than paid-up share capital which is ₹ 50 lakh.
 - Silver Private Limited can accept deposits of ₹ 60 lakh from members, as it is less than twice of its paid up share capital or ₹ 50 crore, whichever is less.
 - Silver Private Limited cannot accept deposits of more than higher of aggregate of paid-up share capital and free reserves which is ₹ 70 lakh and borrowings which is ₹ 65 lakh.
 - Silver Private Limited cannot accept deposits of more than aggregate of paid-up share capital and free reserves, which is ₹ 70 lakh.
10. Is Silver Private Limited required to appoint internal auditor in accordance with the provisions of the Companies Act, 2013? 2
- Silver Private Limited is not required to appoint internal auditor as private companies are not required to appoint internal auditor.

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- (b) Silver Private Limited is required to appoint internal auditor as borrowings is below prescribed limited.
- (c) Silver Private Limited is required to appoint internal auditor as aggregate of paid-up share, free reserves and security premium is more than prescribed limited.
- (d) Silver Private Limited is not required to appoint internal auditor as turnover is less than prescribed limited.

Independent MCQs

11. MJL & Associates LLP comprises of three partners – Mohan, Jamil, Laxman and was incorporated under agreement in the year 2025. Mr Laxman, one of the partners has decided to leave the LLP and start his own business. He has informed Mr. Jamil, one of the Designated Partners of the LLP, of his decision to leave and has urged to proceed with the formalities. Even past one month of leaving the LLP, Mr Laxman was continuously receiving phone calls from creditors of LLP for payment of the dues thus convincing him to believe that the LLP has neither informed the outsiders nor the Registrar about his leaving the LLP. The LLP was also not responding to Mr Laxman's queries. Referring to the provisions of the Limited Liability Partnership Act, 2008, what is the step that Mr. Laxman can take to escape his liability post quitting the LLP? 2
- (a) Mr Laxman should further follow up with LLP and ask it to submit Form 4 to the registrar informing about the above event as he himself cannot file Form 4 with the registrar.
 - (b) Mr. Laxman should himself file Form-4 to the registrar who would then send a show-cause notice to the LLP
 - (c) Mr. Laxman can himself file issue a public notice in the one English and one vernacular newspaper disclosing his status as an outsider to the LLP
 - (d) The registrar would himself contact the LLP and enquire about Mr Laxman's status.
12. Arjun purchased a car from Bimal, believing that Bimal was the legitimate owner. Although Arjun paid the full purchase price and took possession of the car, he did not check the Registration Certificate (RC) of the car to verify the authenticity of Bimal's ownership. Later, it was discovered that Bimal was not the rightful owner, and the car had been stolen. In the context of "good faith" as defined in the General Clauses Act, 1897, determine the validity of Arjun's ownership claim over the car. 2
- (a) Arjun holds valid ownership of the car because he paid the full price and believed Bimal to be the legitimate owner.
 - (b) Arjun does not hold valid ownership because his purchase was made without due care and attention, even though he acted honestly.

- (c) Arjun holds valid ownership because he had no knowledge of the car being stolen, showing he acted in “good faith.”
- (d) Arjun’s ownership is valid because he did not act negligently, and his actions were deemed “in good faith.”

13. A Limited made a public issue of debentures. The articles of the company authorises the payment of underwriting commission at 2 per cent of the issue price. The company has negotiated with the proposed underwriters, Sun Brokers and has finalised the rate at 2.25 per cent. The amount that the company is eligible to pay as underwriting commission is: 2
- (a) 5%
 - (b) 2%
 - (c) 2.5%
 - (d) 2.25%

14. XYZ Ltd., a manufacturing company, had taken a loan from ABC Bank and registered a charge on its assets on January 1, 2024. On April 1, 2026, XYZ Ltd. paid off the entire loan to ABC Bank. According to Section 82 of the Companies Act, 2013, XYZ Ltd. was required to file an intimation with the Registrar of Companies (ROC) regarding the satisfaction of the charge within 30 days from the date of the payment. 2

However, due to an oversight, the company did not submit the intimation until July 15, 2026. To rectify this, the company decided to take advantage of the extended period for intimation provided under the proviso to Section 82 (1), which allows for an extension up to 300 days with the payment of additional fees.

The additional fee for late intimation was ₹5,000, and the company’s compliance officer needed to calculate the total fee to be paid for the delayed filing.

As per the given facts, examine by how many days XYZ Ltd. was late in submitting the intimation of satisfaction of charge? What additional fee should the company pay for this delay?

- (a) 90 days, Fee = 1,000
- (b) 76 days, Fee = 5,000
- (c) 90 days, Fee = 5,000
- (d) 300 days, Fee = 10,000

15. Mr. Mukhiya owned a land with fifty neem trees. He sold his land and the timber (obtained after cutting the trees) to Mr. Ambar. As per the General Clauses Act, 1897, does the sale of timber amount to the sale of immovable property? 2
- (a) Yes, timber is part of the land, so its sale is a sale of immovable property.
 - (b) No, timber is considered movable property once it is cut from the land.
 - (c) Yes, since trees were earlier rooted in the land, selling timber is similar to selling land.
 - (d) No, because movable property only includes motor cars, jewellery and cash.



YOUR CA BUDDY
— CA SHUBHAM SINGHAL —

DESCRIPTIVE QUESTIONS

1. (a) The company Apex Technologies Limited was registered in April 2021 with an authorised share capital of ₹300 crore divided into 30 crore equity shares of ₹10 each having its registered office at Trivandrum and listed in Bombay Stock Exchange. The company was in compliance of all legal requirements on time. The company was producing health related products such as ayurvedic medicines, medical instruments, sanitizers, masks, medical soaps etc. The aggregate value of the paid-up share capital of the company was ₹200 crore divided into 20 crore equity shares of ₹10 each at the end of the financial year 2025-26. The extract of Balance Sheet of the company as on 31st March, 2026 showed the following figures-

Particulars	Rs. (Crores)
Free Reserves Created out of profits	200
Securities Premium Account	70
Profit & Loss Account (Cr.)	60
Reserves out of Revaluation of assets	25
Misc. Expenditure not written off	20

Turnover of the company during the financial year 2025-26 was ₹700 crore and the net profit calculated in accordance with section 198 of the Companies Act, 2013, with other adjustments as per CSR Rules was ₹4 crore.

The Board of Directors of the company consists of the following directors:

‘CA. R.C Goel’ as the Managing Director

‘Rudra Mittal’ and ‘Pragya’ as independent directors

‘Varun’, ‘Prabodh’, ‘Disha’ and ‘Reshma’ as executive directors

Vineet, Chief Compliance Officer of the company informed the Board on 20th April, 2026 that the company attracts the provisions of section 135 of the Companies Act, 2013, and all the formalities have to be complied with accordingly. Thereafter, on 30th April, 2026 a CSR Committee was formed consisting of the following members:

‘CA. R.C Goel’, ‘Varun’, ‘Prabodh’ and ‘Vineet’ to act and comply to the provisions of Corporate Social Responsibility.

The company proposed a list of activities to spend 4% of the average net profits of the company made during the immediately preceding three financial years in pursuance of its CSR Policy, as under:

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- (I) The CSR projects for the benefit of employees of the company and their families only.
- (II) A contribution of ₹ 50,000 to a political party under the provisions of section 182 of the Companies Act, 2013.
- (III) A contribution to the PM CARES Fund during Covid pandemic.
- (IV) Local activities like promotion of child and women education.

On the basis of above facts and by applying applicable provisions of the Companies Act, 2013 and the applicable Rules therein answer the following questions:

- (i) On what basis Vineet, Chief Compliance Officer arrived at this conclusion that the company attracts the provisions of section 135 of the Companies Act, 2013, as turnover of the company was only ₹ 700 crore?
 - (ii) Advise the company, how many members are eligible to be part of Committee and what is the criterion? Whether CSR committee formed was in compliance with the provisions of the Act and Companies (Corporate Social Responsibility Policy) Rules, 2014?
 - (iii) Whether activities proposed by company were in accordance with provisions of the Act and Companies (Corporate Social Responsibility Policy) Rules, 2014?
- (b) Aurora Heights Constructions Limited issued equity shares worth ₹1,00,000 (10,000 shares of ₹10 each) on 1st April, 2026, and the issue was fully subscribed. **5**

Starboard Ventures Ltd. acquired 3,500 equity shares and Moonbeam Fabrics Ltd. acquired 2,500 equity shares in that allotment. Prior to this fresh issue, Aurora Heights Constructions already held 20% of the equity shares of Nebula Innovations Ltd. Additionally, Starboard Ventures holds 10% of Nebula Innovations' equity shares as trustee on behalf of certain investors. On 1st July, 2026, Nebula Innovations gained the ability to control the composition of the board of directors of both Starboard Ventures Ltd. and Moonbeam Fabrics Ltd. through a series of shareholder agreements and director appointments. With this background, examine under the Companies Act, 2013:

- (i) Whether Aurora Heights Constructions Ltd. is a subsidiary of Nebula Innovations Ltd. as of 30th September, 2026?

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- (ii) Whether Aurora Heights Constructions Pvt. Ltd. and Starboard Ventures Ltd. have the right to vote at the Annual General Meeting of Nebula Innovations Ltd. held on 30th September, 2026?

- (c) Amit Verma, an Indian citizen, is employed as a senior data analyst with a multinational IT services company having offices across Asia and North America. 4

During the preceding financial year 2024–25, Amit resided in India for 200 days while working remotely for his employer's Indian subsidiary.

In April 2025, Amit accepted a full-time employment offer in Germany, obtained a long-term employment visa, resigned from his Indian assignment and left India with the intention of settling abroad for an indefinite period.

You are required to analyse the residential status of Amit for the financial year 2025–26 as per the provisions of the Foreign Exchange Management Act, 1999.

2. (a) Arnav Malhotra, along with a group of like-minded investors, is a shareholder of Orion Smart Solutions Limited, a company engaged in providing digital infrastructure and IT-enabled services to various government and private institutions. 5

Orion Smart Solutions Limited has a paid-up share capital of ₹ 1 crore, divided into equity shares carrying voting rights. The Registered Office of the company is situated at New Delhi, and the company regularly holds its General Meetings at the same location.

Arnav Malhotra and some of his associates are dissatisfied with certain policy decisions taken by the Board of Directors and intend to place an agenda for consideration of members at the forthcoming General Meeting of the company. For this purpose, they propose to move a members' resolution under the provisions of the Companies Act, 2013.

However, before proceeding further, Arnav and his associates seek professional guidance regarding the minimum shareholding requirement and the procedural compliances involved in moving such a members' resolution.

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You are required to advise them on the following:

- (i) What should be the requisite minimum paid-up share capital that Arnav Malhotra and his associates must hold in Orion Smart Solutions Limited in order to be eligible to move a members' resolution at the General Meeting?
- (ii) What are the other statutory requirements and procedural conditions that must be complied with by Arnav Malhotra and his associates for validly moving a members' resolution under the Companies Act, 2013?

- (b) A meeting of members of Premier Legacy Holdings LLP was convened under the orders of the Court to consider a scheme of compromise and arrangement. Notice of the meeting was sent in the prescribed manner to all the 600 members holding in the aggregate 25,00,000 shares. The meeting was attended by 450 members holding 15,00,000 shares. 210 members holding 11,00,000 shares voted in favor of the scheme. 180 members holding 3,00,000 shares voted against the scheme. The remaining members abstained from voting. 5

Examine with reference to the relevant provisions of the Limited Liability Partnership Act, 2008 whether the scheme is approved by the requisite majority.

- (c) Explain 'Mischieve Rule' for interpretation of statute. Also, give 4 matters it considers in construing an Act 4

3. (a) LunaTech Renewable Solutions Ltd., a company engaged in the design, manufacture and installation of rooftop solar panels and small-scale wind turbines for residential and commercial customers, decided to raise capital from the public. 5

LunaTech issued 1,00,000 equity shares of Rs. 100 each at par by issuing a prospectus offering its shares to the public. The prospectus stated that the minimum subscription amount required to be received on application is Rs. 15,00,000 and that the share application money shall be payable at Rs. 20 per share.

The prospectus also disclosed that LunaTech had applied for listing of its shares on three recognized stock exchanges, but one of those listing applications had been rejected by that exchange. The public issue was fully subscribed and LunaTech received aggregate application money of Rs. 20,00,000. Following this, the company proceeded to allot the shares.

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Examine the three disclosures in the above case study which are the deciding factors in an allotment of shares and explain the consequences for violation, if any, under the provisions of the Companies Act, 2013.

- (b) The following are the extracts from the financial statements of UrbanNest Housing Private Limited, which is neither a start-up nor it is an associate or subsidiary company of any other company 5

Authorised Capital	Rs. 10 Crores
Paid up share capital	Rs. 8 Crores
General Reserves	Rs. 5 Crores
Term Loan from LMR Bank Limited	Rs. 12 Crores
Cash Credit Loan (For Working Capital)	Rs. 5 Crores

The company has never failed to file the Annual Return and Financial Statements with the Registrar. The company has already successfully repaid all the monies which were accepted earlier in the form of deposits along with due interest. Since the company was successful in implementation of its housing project by utilizing the money accepted in the form of deposits, the Board was interested to accepting deposits once more and take up another housing project in NOIDA since the members of the company were having sufficient surplus money which they wanted to invest in the company to start the project.

However, their condition was that the same will be provided by them if the company accepts them in the form of deposits and the applicable provisions of the Companies Act, 2013 and Rules made thereunder are strictly complied with. But, the Board of Directors of UrbanNest Housing Private Limited were not in support of depositing any amount in any Deposit Repayment Reserve Account for the purpose of repayment of the said deposits, since the repayment was to be made out of the amount received from the customers who were going to book for the flats in the housing project. Two proposals came for review to the Board, out of which only one proposal was to be selected. The Board wanted you to advise them in choosing the appropriate deposit scheme.

Proposal 1 - Acceptance of Deposits of ₹ 20,00,00,000, to be repaid with interest @ 7% per annum;

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Proposal 2 - Acceptance of Deposits of ₹ 14,00,00,000, to be repaid with interest @ 8% per annum.

Referring to the applicable provisions of the Companies Act, 2013, the Rules made thereunder and the notifications issued in this respect, advise the Board stating the justification in support of your advice.

- (c) Suryodaya Consumer Products Limited, a listed FMCG company, declared a final dividend for its equity shareholders at its Annual General Meeting held on 27th September 2025. 4

Referring to the relevant provisions of the General Clauses Act, 1897 and the Companies Act, 2013, advise the company on the following:

- (i) The dates during which Suryodaya Consumer Products Limited is required to pay the dividend?
- (ii) The dates during which Suryodaya Consumer Products Limited is required to transfer the unpaid or unclaimed dividend to unpaid dividend account?

4. (a) The Board of Directors of WorldBridge Solutions Limited, an unlisted public company, engaged in the business of international trade facilitation and cross-border commerce technology company that provides digital platforms, logistics and financial solutions to help MSMEs and enterprises import, export and transact globally; intend to issue debentures in order to finance its project of electric scooter manufacturing. 5

The company seeks your advice regarding the maximum amount of debentures it can issue to raise the desired funds. The company has provided the following abstracts from its financial statements ended on 31st March 2026:

<u>Authorised Share Capital:</u> 1,00,000 Nos. of Equity Shares of ₹100 each	1,00,00,000
<u>Subscribed and Paid-up Share Capital:</u> 40,000 Nos. of Equity Shares of ₹ 100 each, fully paid-up.	40,00,000
Share Premium Reserve	50,00,000
General Reserve	30,00,000
Balance in Profit and Loss Account	20,00,000

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Capital Reserve (profit on sale of Fixed Assets)	30,00,000
8% Non-Convertible Debentures	30,00,000
9.5% Term Loan from Riverstone Commercial Bank Limited for purchase of Plant and Machinery (Repayment starts after 1 year moratorium period)	20,00,000
Short-term Cash Credit Loan from Riverstone Commercial Bank Limited (On hypothecation of stock and receivables of the Company, repayable on demand)	50,00,000

Referring to and analysing the relevant provisions of the Companies Act, 2013, advise the company presenting the necessary calculations:

- (i) The amount that can be raised by the company by issuing debentures and the resolution, if any, is required to be passed in the General Meeting of the Company in respect of the same?
 - (ii) What will be your answer in case the above company desired to issue debentures with an option to convert such debentures into shares?
- (b) (i) NeoKraft Advanced Materials Limited, a company registered in Japan, started its operations in India by establishing a Marketing Division in Mumbai on 1st April, 2026. Recently, the Company decided to issue certain securities in India and therefore, is planning to circulate in India, a prospectus offering for subscription in securities of the Company. Assuming that all the other formalities in this respect have been complied with, advise the person in-charge of Indian operations regarding the other documents required to be annexed to the prospectus in order to registered the same, referring to the relevant provisions of the Companies Act, 2013 and the rules made thereunder. 5
- (ii) Pacific Wave Logistics Pte. Ltd, a company incorporated in Singapore is having a liaison office in Delhi. The Liaison office seeks your advice regarding the documents to be filed with the Registrar along with the financial statement under the Companies Act, 2013 read with the Companies (Registration of Foreign Companies) Rules, 2014.

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- (c) Explain the principles of “Grammatical Interpretation” and “Logical Interpretation” of a Statute. What are the duties of a court in this regard? 4

5. (a) Vertex Manufacturing Limited, a mid-sized engineering company engaged in the production of industrial components, has its registered office in Mumbai. The company is not a small company and regularly convenes General Meetings of its members in compliance with the Companies Act, 2013. 5

The Board of Directors of Vertex Manufacturing Limited issued a notice convening a General Meeting of the members. The notice stated that the following matters would be placed for consideration at the meeting:

- (1) Resolution for increase in the authorised share capital of the company; and
- (2) Appointment of Mr. Raghav Sharma as the statutory auditor of the company and fixation of his remuneration.

The notice of the meeting, however, did not specify:

- (a) the quantum of proposed increase in the authorised share capital, and
- (b) the amount of remuneration proposed to be paid to Mr. Raghav Sharma.

One of the shareholders of the company raised an objection stating that the notice was defective and misleading, as the absence of such information deprived the members of the ability to make an informed decision at the meeting.

Based on the above facts, answer the following:

Whether the notice convening the meeting is valid under the provisions of the Companies Act, 2013? Give reasons for your answer.

OR

- (a) Aarna Ltd. was dealing in export of cotton fabric to specified foreign countries. The company was willing to purchase cotton fields in Punjab State. The prospectus issued by the company contained some important extracts of the expert report. The report was found untrue. Mr. Nick purchased the shares of Aarna Ltd. on the basis of the expert's report published in the prospectus. However, he did not suffer any loss due to purchase of such shares. Would Mr. Nick have any remedy against the company? State the circumstances where an expert is not liable under the Companies Act, 2013. 5

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- (B) (i) Zenith Corporate Services Limited has on its Board, four Directors viz. Wise, Anant, Yash and Zian. In addition, the company has Mr. Dhruv as the Managing Director. The company also has a full time Company Secretary, Mr. Chetan, on its rolls. The financial statements of the company for the year ended 31st March, 2026 were authenticated by two of the directors, Mr. Anant and Yash under their signatures. 3

Referring to the provisions of the Companies Act, 2013:

- (1.) Examine the validity of the authentication of the Balance Sheet and Statement of Profit & Loss and the Board's Report.
- (2.) What would be your answer in case the company is a One Person Company (OPC) and has only one Director, who has authenticated the Balance Sheet and Statement of Profit & Loss and the Board's Report?

- (ii) Define the term 'Book of account' as per the Companies Act, 2013. 2

- (c) "Whenever an Act is repealed, it must be considered as if it had never existed." Comment and explain the effect of repeal under the General Clause Act, 1897. 4

6. (a) Aarohan Infrastructure & Metals Limited (Non Government Co.) is a public sector, listed company engaged in the manufacture of heavy structural steel and railway-grade metal components, supplying primarily to Indian Railways, Metro Corporations and PSU contractors across India. 5

The company appointed M/s RKVN & Co., Chartered Accountants, as its statutory auditors for the financial year 2025–26.

During the year, an internal whistle-blower complaint revealed that certain inventory valuation irregularities and diversion of scrap sales proceeds were allegedly not reported by the statutory auditors in their audit report. This led to serious dissatisfaction among a group of financially literate shareholders of the company.

The next Annual General Meeting (AGM) of the company is scheduled to be held on 28th September 2026.

Three members of the company, namely Mr. Harsh Malhotra, Mr. Jatin Verma and Mr. Kunal Shah, holding paid-up share capital of Rs 1,50,000, ₹1,00,000 and ₹2,50,000 respectively, have jointly decided to issue a Special Notice to the company proposing

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a resolution at the ensuing AGM for the appointment of an auditor other than M/s RKN & Co. for the next term.

With reference to the provisions of the Companies Act, 2013, examine:

- (i) Whether the above members are eligible to issue such Special Notice to the company?
 - (ii) What is the last date by which such Special Notice must be sent by the members to the company?
 - (iii) Whether the company is required to circulate the contents of the Special Notice to other members, after receipt of the same?
- (b) Analyzing the role and liabilities of Designated Partners in a Limited Liability Partnership (LLP) under the LLP Act, 2008, answer the following questions: 5
- (i) In a LLP where all partners are corporate entities, can a corporate body be appointed as a designated partner?
 - (ii) If an LLP agreement does not specify the designated partners, whether LLP can be validly formed without designated partners under the LLP Act, 2008?
 - (iii) A designated partner of an LLP in India is planning to relocate permanently to another country.
 - (iv) XYZ LLP was penalized for non-compliance, but one of the designated partners claims he was unaware of the regulatory requirements. Can he avoid liability?
- (c) Mr. Rohit Mehra, an Indian resident, had been working abroad for the past 10 years. During his tenure abroad, Mr. Rohit: 4
- (i) acquired foreign currency and held investments in foreign securities.
 - (ii) inherited a property located in New York from his late grandfather, who was a non-resident Indian.

After returning to India permanently, Mr. Rohit wishes to understand the provisions under the Foreign Exchange Management Act, 1999 (FEMA) regarding the ownership and utilization of his foreign assets.

CASE SCENARIOS

1. A
2. A
3. C
4. B
5. B
6. D
7. C
8. D
9. B
10. D
11. B
12. B
13. B
14. B
15. B



YOUR CA BUDDY
— CA SHUBHAM SINGHAL —

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DESCRIPTIVE

1. (a) (i) According to section 135 of the Companies Act, 2013, every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during the immediately preceding financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director:

“Net worth” [As per section 2(57)] means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of the profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

Particulars	Amount (₹ in crore)
Paid up share capital	200
Free Reserves created out of profits	200
Securities Premium Account	70
Credit balance of Profit & Loss account	60
Miscellaneous expenditure not written off	(20)
Net Worth	510

As the Net worth of the company is more than ₹ 510 crore (i.e more than ₹ 500 crore), hence the company has attracted the provisions of section 135 of the Companies Act, 2013.

- (ii) The CSR Committee is constituted of CA. R. C. Goel (Managing Director), Varun (director), Prabodh (director) and Vineet (Chief Compliance Officer). The composition of the committee is not in compliance with section 135 of the Companies Act, 2013, as no independent director is the part of the committee. Further, Chief Compliance Officer has also been included which is not the requirement of the Act.

(iii)

List of activities	Whether the activities are in accordance with the provisions of the Act
(I) The CSR projects for the benefit of employees of the company and their family only	No
(II) A contribution of ₹ 50,000 to a political party	No
(III) Contribution to PM CARES Fund during Covid pandemic	Yes
(IV) Local activities like promotion of child and women education	Yes

- (b) This given problem is based on Section 2(87) read with section 19 of the Companies Act, 2013.

As per sub-clause (87) of Section 2 of the Companies Act, 2013 “subsidiary company” or “subsidiary”, in relation to any other company (i.e., the holding company), means a company in which the holding company—

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies.

For the purposes of this clause, Explanation is given providing that a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in point (i) or point (ii) above, is of another subsidiary company of the holding company.

Whereas Section 19 provides that, no company shall, hold any shares in its holding company and no holding company shall 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.

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Provided that nothing in this sub-section shall apply to a case where:

- (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
- (c) the subsidiary company is a shareholder even before it became a subsidiary company of the holding company.

Provided further that the subsidiary company referred to in the preceding proviso shall have a right to vote at a meeting of the holding company only in respect of the shares held by it as a legal representative or as a trustee, as referred to in clause (a) or clause (b) of the said proviso.

Here, in the instant case, Aurora Heights Constructions Limited issued 10,000 equity shares on 1st April, 2026 whereby Starboard Ventures Ltd. & Nebula Innovations Ltd. holds 3,500 & 2,500 shares respectively in Aurora Heights Constructions Limited. Considering 1 share = 1 vote, Starboard Ventures Ltd. and Nebula Innovations Ltd. together holds 60% of the total voting power [i.e. more than one-half (50%)].

Further, MNP Limited controls the composition of Board of Directors of Starboard Ventures Ltd. and Nebula Innovations Ltd. from 01.07.2026. In the light of section 2(87), MNP Limited is a holding company of Starboard Ventures Ltd. and Nebula Innovations Ltd. (Subsidiary companies).

Following are the answers to the questions:

- (i) Aurora Heights Constructions Limited shall be deemed to be a subsidiary company of the holding company (MNP Limited) as MNP Limited controls the composition of subsidiary companies Starboard Ventures Ltd. & Nebula Innovations Ltd. as per explanation to section 2(87).
- (ii) The subsidiary company shall have a right to vote at a meeting of the holding company only in respect of the shares held by it as a legal representative or as a trustee but not where the subsidiary company is a shareholder even before it became a subsidiary company of the holding company. Therefore:
 1. Aurora Heights Constructions Limited cannot vote at AGM of MNP Limited held on 30th September, 2026.
 2. Starboard Ventures Ltd. can vote at AGM of MNP Limited held on 30th September, 2026.

- (c) As per section 2(v) of the Foreign Exchange Management Act, 1999, the term ‘person resident in India’ means the following entities:

A person who resides in India for more than 182 days during the preceding financial year.

The following persons are not persons resident, in India even though they may have resided in India for more than 182 days.

- (a) A person who has gone out of India or stays outside India for any of the three purposes given below,
- (b) A person who has come to or stays in India otherwise than for any of the three purposes given below;

Three Purposes:

- i) For or on taking up Employment
- ii) For carrying on a business or Vacation
- iii) For any other purpose in such circumstances as would indicate stay for his intention an uncertain period.

Amit's Residential Status: Amit resided in India for more than 182 days in the preceding financial year, which would typically qualify him as a “person resident in India.” However, his decision to leave India for long-term employment in Germany changes his status. According to the provision, a person who has left India for the purpose of employment abroad is not considered a “person resident in India” even if they meet the 182-day requirement. Thus, Amit does not qualify as a resident for the current financial year.

2. (a) (i) In terms of section 111 of the Companies Act, 2013, the members of a company are given a statutory right to propose resolutions for consideration at the general meetings. According to sub-section (1), the number of members required to make a requisition for moving resolution shall be same as required to requisition a general meeting as per section 100 (2). The requirement is as under:

“In case of a company having share capital, such number of members who hold minimum 1/10th of the paid-up share capital that carries right of voting shall be eligible to make a requisition for moving a resolution at the general meeting.”

Accordingly, Arnav Malhotra and his friends must hold minimum 1/10th of paid-up share capital (i.e. Rs.10 lakh worth of share capital carrying right to

vote) of Orion Smart Solutions Limited in order to be eligible for moving a resolution at the general meeting.

- (ii) The other requirements as per section 111 for making a requisition to move a resolution at the general meeting which Arnav Malhotra and his friends should keep in mind are as under:
- (a) Two or more copies of the requisition are required to contain signatures of all the requisitionists i.e. Arnav Malhotra and friends.
 - (b) The requisition must be deposited by them at CP where the registered office of Orion Smart Solutions Limited is situated.
 - (c) In the case of a requisition requiring notice of a resolution, it needs to be deposited by them not less than six weeks before the meeting.
 - (d) In case of any other resolution, the same is to be deposited by them not less than two weeks before the meeting.
 - (e) A sum reasonably sufficient to meet the expenses to be incurred by Orion Smart Solutions Limited in giving effect to proposing the resolution shall also be deposited by Arnav Malhotra and his friends along with the requisition.

(b) Relevant provision:

As per section 60, of the Limited Liability Partnership Act, 2008 where majority of persons at a meeting held representing 3/4th in value, agree to any compromise or arrangement and if such compromise or arrangement is sanctioned by the Tribunal by an order.

The majority of person representing 3/4th Value shall be counted of the following:

- the creditors, or class of creditors or
- members or class of members, as the case may be,

The majority is dual, in number and in value.

A simple majority of those voting is sufficient. Whereas the 'three-fourths' requirement relates to value. The three-fourths value is to be computed with reference to paid-up capital held by members present and voting at the meeting.

Given case and Analysis:

In this case, out of 600 members, 450 members attended the meeting, but only 390 members voted at the meeting.

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As 210 members voted in favor of the scheme the requirement relating to majority in number (i.e., 196 members) is satisfied. 390 members who participated in the meeting held 14,00,000, three-fourth of which works out to 10,50,000 while 210 members who voted for the scheme held 11,00,000 shares.

Conclusion:

As both the requirements are fulfilled, the scheme is approved by the requisite majority.

- (c) Where the language used in a statute is capable of more than one interpretation, the most firmly established rule for construction is the principle laid down in the Heydon's case. This rule enables, consideration of four matters in constituting an act:
- (1) what was the law before making of the Act,
 - (2) what was the mischief or defect for which the law did not provide,
 - (3) what is the remedy that the Act has provided, and
 - (4) what is the reason for the remedy.

The rule then directs that the courts must adopt that construction which 'shall suppress the mischief and advance the remedy. Therefore, even in a case where the usual meaning of the language used falls short of the whole object of the legislature, a more extended meaning may be attributed to the words, provided they are fairly susceptible of it.

If the object of any enactment is public safety, then its working must be interpreted widely to give effect to that object. Thus in the case of Workmen's Compensation Act, 1923 the main object being provision of compensation to workmen, it was held that the Act ought to be so construed, as far as possible, so as to give effect to its primary provisions.

However, it has been emphasized by the Supreme Court that the rule in Heydon's case is applicable only when the words used are ambiguous and are reasonably capable of more than one meaning [CIT v. Soda Devi (1957)]

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3. (a) Relevant Provision:

As per the requirement of the question, disclosures which are the deciding factors in an allotment of shares are laid down in section 39 of the Companies Act, 2013.

According to Section 39(1), no allotment of any securities of a company offered to the public for subscription shall be made unless-

- a. the amount stated in the prospectus as the minimum amount has been subscribed, and
- b. the sums payable on application for the amount so stated have been paid to, and received by the company by cheque or other instrument.

The amount payable on application on every security shall not be less than five per cent of the nominal amount of the security or such other percentage or amount, as may be specified by the Securities and Exchange Board by making regulations in this behalf.

Given Case and Analysis:

In the question, LunaTech Renewable Solutions Ltd issued shares to public by issuing of prospectus, disclosing minimum subscription, sum payable on application for the amount; and the amount received on share application is more than 5% of the nominal amount of the security.

Further, it revealed that LunaTech Renewable Solutions Ltd has applied for listing of shares in 3 recognized stock exchanges of which one application was rejected.

In the given instance, there is compliance to section 23, as nothing is talked about matters required to be included in the prospectus under section 26 (1) and about filing with the registrar; assuming that the said requirements have been complied with, requirement of section 39 as regards obtaining of minimum subscription and the minimum amount receivable on application (not less than 5% of the nominal value of the securities offered) are fulfilled.

The provisions of section 40 of the Companies Act, 2013 states that every company making public offer shall, before making such offer, make an application to one or more recognized stock exchange or exchanges and obtain permission for the securities to be dealt with in such stock exchange or exchanges.

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The above provision is very clear that not only the company has to apply for listing of the securities at a recognized stock exchange, but also obtain permission thereof from all the stock exchanges where it has applied, before making the public offer.

Since one of the three recognized stock exchanges, where the company has applied for enlisting, has rejected the application and the company has proceeded with making the offer of shares, it has violated the provisions of section 40. Therefore, this shall be deemed to be irregular allotment of shares.

Conclusion:

Consequently, LunaTech Renewable Solutions Ltd shall be required to refund the application money to the applicants in the prescribed manner within the stipulated time frame.

(b) Exemption to certain Private Companies:

Notification No. GSR 464 (E) dated 5th June 2015, provided certain exemptions to Private Limited Companies relaxing the provisions of the Companies Act 2013 with respect to certain restrictions for acceptance of deposits.

The restrictions specified in the clauses (a) to (e) of sub-section (2) of section 73 with respect to certain restrictions for acceptance of deposits like issue of circular, filing the copy of such circular with the Registrar, depositing of certain amount and certification as to no default committed shall not apply to a private company. They are as follows:

- (A) which accepts from its members monies not exceeding one hundred percent of the aggregate of the paid-up share capital, free reserves and securities premium account; or
- (B) which is a start-up, for five years from the date of its incorporation; or
- (C) which fulfils all of the following conditions, namely:-
 - (a) which is not an associate or a subsidiary company of any other company;
 - (b) if the borrowings of such a company from banks or financial institutions or any body corporate is less than twice of its paid-up share capital or fifty crore rupees, whichever is lower; and
 - (c) such a company has not defaulted in the repayment of such borrowings subsisting at the time of accepting deposits under this section.

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In the present case, UrbanNest Housing Private Limited was not in support of depositing any amount in any Deposit Repayment Reserve Account for the purpose of repayment of the deposits.

Also, since UrbanNest Housing Private Limited does not satisfy the conditions given in clause (C) above, as its borrowings from banks is not less than twice of its paid-up share capital or fifty crore rupees, whichever is lower, (i.e. $8 \text{ crore} \times 2 = ₹ 16 \text{ crore}$ and amount already borrowed is ₹17 crore (i.e. Term Loan of ₹ 12 crore and Working Capital of ₹ 5 crore), it has to go for the restricted amount as stated in clause (A) above, i.e. not exceeding one hundred percent of aggregate of the paid-up share capital, free reserves and securities premium account.

Therefore, the maximum amount of deposit it can accept from members will be limited to ₹ 15 crore.

In terms of the options given in the question, the company has no option but to choose Proposal 2 — Acceptance of Deposits of ₹ 14,00,00,000, to be repaid with interest @ 8% per annum.

- (c) As per section 9 of the General Clauses Act, 1897, for computation of time, the section states that in any legislation or regulation, it shall be sufficient, for the purpose of excluding the first in a series of days or any other period of time to use the word “from” and for the purpose of including the last in a series of days or any other period of time, to use the word “to”.
- i. Payment of dividend: In the given instance, Suryodaya Consumer Products Limited declares dividend for its shareholder in its Annual General Meeting held on 27/09/2025. Under the provisions of Section 127 of the Companies Act, 2013, a company is required to pay declared dividend within 30 days from the date of declaration, i.e. from 28/09/2025 to 27/10/2025. In this series of 30 days, 27/09/2025 will be excluded and last 30th day i.e. 27/10/2025 will be included.
Accordingly, Suryodaya Consumer Products Limited will be required to pay dividend within 28/09/2025 and 27/10/2025 (both days inclusive)
 - ii. Transfer of unpaid or unclaimed dividend: As per the provisions of Section 124 of the Companies Act, 2013, where a dividend has been declared by a company

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but has not been paid or claimed within 30 days from the date of the declaration, to any shareholder entitled to the payment of the dividend, the company shall, within 7 days from the date of expiry of the said period of 30 days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the company in that behalf in any scheduled bank to be called the “Unpaid Dividend Account” (UDA).

Therefore, Suryodaya Consumer Products Limited shall transfer the unpaid/unclaimed dividend to UDA within the period of 28th October, 2025 to 3rd November, 2025 (both days inclusive).

4. (a) (i) The amount that can be raised by the Company by issuing Debentures:

Section 71 of the Companies Act, 2013 (the Act), deals with the manner in which a company may issue debentures. Before the issue of debentures, the Board of Directors of the Company in compliance with Section 180(1)(c) of the Act, shall obtain approval of the shareholders through special resolution if the borrowings by issuing debentures together with the amount already borrowed exceed the aggregate of company's paid-up share capital, free reserves and securities premium amount.

Temporary loans obtained from the company's bankers in the ordinary course of business are not to be included in the borrowings.

The Amount that can be raised by the Company by issuing Debentures:

In view of the above provisions, WorldBridge Solutions Limited can raise money to the extent of the following amounts without the approval of the shareholders through a special resolution:

Particulars	Amount
Paid up Equity Share Capital	40,00,000
Share Premium Reserve	50,00,000
General Reserve*	30,00,000
Balance in Profit and Loss Account*	20,00,000
Aggregate of its paid-up share capital, free reserves and securities premium amount (A)	1,40,00,000

*General Reserve and Balance in Profit and Loss Account is in the capacity of Free Reserve.

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Since in the question, no pre-condition, is provided for issue of debenture with an option to convert such debentures into shares, so accordingly, the amount that can be raised by the company by issuing debentures will be:

Particulars	Amount
8% Non- Convertible Debentures	30,00,000
9.5% Term Loan for Purchase of Plant and Machinery	20,00,000
Amount already Borrowed (B)	50,00,000

Here, Short– term Cash Credit loan from Riverstone Commercial Bank Limited is a ‘Temporary Loan’ obtained from the company’s bankers.

Debentures that can be issued by the Board of Directors in the Board Meeting without obtaining approval of the shareholders through special resolution passed in the General Meeting = (A) - (B) = ₹ 90,00,000.

Further, the Board of Directors of the company shall obtain approval of the shareholders through special resolution if the borrowings by issuing debentures exceed ₹ 90,00,000.

- (ii) Issue of Debentures with an Option to Convert into Shares: According to Section 71(1) of the Companies Act, 2013 a company may issue debentures with an option to convert such debentures into shares, either wholly or partly at the time of redemption. It is also provided that the issue of debentures with an option to convert such debentures into shares, wholly or partly, shall be approved by a special resolution passed at a general meeting.
- (iii) Thus, in case WorldBridge Solutions Limited desires to issue debentures with an option to convert such debentures into shares, it has to pass the special resolution irrespective of the amount to be raised.
- (b) (i) According to this Section 389 of the Companies Act, 2013 read with Rule 11 of the Companies (Registration of Foreign Companies) Rules, 2014,

The Following documents shall be annexed to the prospectus, namely:

- a. any consent to the issue of the prospectus required from any person as an expert;

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- b. a copy of contracts for appointment of managing director or manager and in case of a contract not reduced into writing, a memorandum giving full particulars thereof;
- c. a copy of any other material contracts, not entered in the ordinary course of business, but entered within preceding 2 years;
- d. A copy of underwriting agreement; and
- e. A copy of power of attorney, if prospectus is signed through duly authorized agent of directors.

Accordingly, the person in charge of the Indian operations shall be advised in accordance with the above provisions.

- (ii) According to Rule 4 of the Foreign Companies (Registration of Foreign Companies) Rules, 2014, every foreign company, shall, along with the financial statement required to be filed with the Registrar, attach thereto the following documents; namely: -
 - 1. Statement of related party transaction
 - 2. Statement of repatriation of profits
 - 3. Statement of transfer of funds (including dividends, if any).

The above statement shall include such other particulars as are prescribed in the Companies (Registration of Foreign Companies) Rules, 2014.

(c) Principles of Grammatical Interpretation and Logical Interpretation:

In order to ascertain the meaning of any law/ statute the principles of Grammatical and Logical Interpretation is applied to conclude the real meaning of the law and the intention of the legislature behind enacting it.

Meaning: Grammatical interpretation concerns itself exclusively with the verbal expression of law. It does not go beyond the letter of the law, whereas Logical interpretation on the other hand, seeks more satisfactory evidence of the true intention of the legislature.

Application of the principles in the court: In all ordinary cases, the grammatical interpretation is the sole form allowable. The court cannot delete or add to modify the letter of the law. However, where the letter of the law is logically defective on account of ambiguity, inconsistency or incompleteness, the court is under a duty to travel beyond the letter of law so as to determine the true intentions of the legislature.

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So that a statute is enforceable at law, however, unreasonable it may be. The duty of the court is to administer the law as it stands rather it is just or unreasonable.

However, if there are two possible constructions of a clause, the courts may prefer the logical construction which emerges from the setting in which the clause appears and the circumstances in which it came to be enacted and also the words used therein.

5. (a) Under section 102(2)(b) of the Companies Act, 2013, in the case of any meeting other than an Annual General Meeting, all business transacted thereat shall be deemed to be special business.

Further, under section 102(1), an explanatory a statement setting out the following material facts concerning each item of special business to be transacted at a general meeting, shall be annexed to the notice calling such meeting., namely:-

- (a) the nature of concern or interest, financial or otherwise, if any, in respect of each items, of:
- (i) every director and the manager, if any;
 - (ii) every other key managerial personnel; and
 - (iii) relatives of the persons mentioned in sub-clauses (i) and (ii);
- (b) any other information and facts that may enable members to understand the meaning, scope and implications of the items of business and to take decision thereon.

The information about the amount is also a material fact that may enable members to understand the meaning and implication of items of business to be transacted and to take decision thereon.

Section 102 also prescribes ordinary businesses for which explanatory statement is not required.

Part (i) of the question relating to increase in the Authorized Capital falls under special business and hence in the absence of amount of proposed increase of share capital, the notice will be treated as invalid.

Part(ii) is an ordinary business and hence explanatory statement is not required. However, considering the two resolutions mentioned in the question are to be passed in the same meeting, notice of the meeting is invalid.

Thus, the objection of the shareholder is valid since the details on the item to be considered are lacking.

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The information about the amount is a material fact with reference to the proposed increase of authorized share capital and remuneration of Mr. Raghav Sharma as the auditor.

The notice is, therefore, not a valid notice under Section 102 of the Companies Act, 2013.

OR

- (a) Under section 35 (1) of the Companies Act 2013, where a person has subscribed for securities of a company acting on any statement included in the prospectus which is misleading and has sustained any loss or damage as a consequence thereof, the company and every person including an expert shall, be liable to pay compensation to the person who has sustained such loss or damage.

In the present case, Mr. Nick purchased the shares of Aarna Limited on the basis of the expert's report published in the prospectus. Mr. Nick can claim compensation for any loss or damage that he might have sustained from the purchase of shares. Since, Mr. Nick did not suffer any loss due to purchase of such shares, he cannot claim any compensation for any loss or damage.

Section 35(2) of the Companies Act, 2013, provides the instances when a person shall not be held guilty under section 35 of the Act, if he proves:

- a. He withdrew his consent to be a director of company and prospectus issued without his consent and authority.
- b. He has given reasonable public notice to effect, that prospectus was issued without his knowledge and consent.
- c. He made the statement on the authority of an expert whom he believed to be competent and that the expert had given his consent and had not withdrawn it.
- d. He had reasonable ground for believing the statement to be true and that he did believe it to be true up to the time of allotment.
- e. The statement was a correct copy of some extract from an official document and that he had in fact believed.

- (B) (1) In accordance with the provisions of the Companies Act, 2013, as contained under section 134 (1), the financial statements, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board by at least:

- 1) the chairperson of the company where he is authorised by the Board or by two Directors out of which one shall be managing director, if any, and

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- 2) the Chief Executive Officer, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or
- 3) in the case of One Person Company, only by one director, for submission to the auditor for his report thereon

The Board's report and annexures thereto shall be signed by its Chairperson of the company, if he is authorized by the Board and where he is not so authorized, shall be signed by at least two directors one of whom shall be a managing director.

- (i) In the given case, the Balance Sheet and Profit & Loss Account have been signed by Mr. Anant and Mr. Yash, the directors. In view of the provisions of Section 134 (1), the Managing Director Mr. Dhruv should be one of the two signatories. Since, the company has also employed a full time Secretary, he should also sign the Balance Sheet and Profit & Loss Account. Therefore, authentication done by two directors is not valid.
 - (ii) In case of OPC, the financial statements should be signed by one director and hence, the authentication is in order.
- (2) According to section 2(13) of the Companies Act, 2013, 'Books of account' includes records maintained in respect of:
- (i) all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;
 - (ii) all sales and purchases of goods and services by the company;
 - (iii) the assets and liabilities of the company; and
 - (iv) the items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section.
- (c) Effect of Repeal: According to section 6 of the General Clauses Act, 1897, 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:
- Revive anything not enforced or prevailed during the period at which repeal is effected or;
 - Affect the previous operation of any enactment so repealed or anything duly done or suffered thereunder; or
 - Affect any right, privilege, obligation or liability acquired, accrued or incurred under any enactment so repealed; or

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- Affect any penalty, forfeiture or punishment incurred in respect of any offence committed against any enactment so repealed; or
- 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

6. (a) (i) Whether the members Mr. Harsh Malhotra, Mr. Kunal Shah and Mr. Jatin Verma can validly issue special notice to the company?

According to section 115 of the Companies Act, 2013 (the Act), where, by any provision contained in this Act or in the Articles of a company, special notice is required for passing any resolution, then the notice of the intention to move such resolution shall be given to the company by such number of members holding not less than 1% of the total voting power, or holding shares on which such aggregate sum not exceeding five lakh rupees, as may be prescribed, has been paid-up.

Rule 23 of the Companies (Management & Administration) Rules, 2014, provides that a special notice required to be given to the company shall be signed, either individually or collectively by such number of members holding not less than one percent of total voting power or holding shares on which an aggregate sum of not less than 5,00,000 rupees has been paid up on the date of the notice.

As per section 140 (4) of the Act, a special resolution is required to be passed for appointment of an auditor other than the retiring auditor at an annual general meeting.

Mr. Harsh Malhotra, Mr. Jatin Verma and Mr. Kunal Shah are together holding shares of $(1,50,000 + 1,00,000 + 2,50,000) = ₹ 5,00,000$, which is equal to the minimum required shares to be held by members for validly issuing a Special Notice. Hence, they can validly ask the company to issue the special notice.

- (ii) Last date for issue of Special Notice:

Rule 3 of Companies Management and Administrative Amendment Rules 2014:

The notice referred to in sub-rule (1) shall be sent by members to the company not earlier than three months but at least fourteen days before the date of the meeting at which the resolution is to be moved, exclusive of the day on which

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the notice is given and the day of the meeting.

Hence, in the above case, the special notice shall be sent by the members to the company latest by 13.09.2026.

- (iii) Whether the company needs to communicate the special notice to the other members after receipt of the same?

Yes, the company shall immediately after receipt of the notice, give its members notice of the resolution at least seven days before the meeting, exclusive of the day of dispatch of notice and day of the meeting, in the same manner as it gives notice of any general meetings

- (b) The LLP Act, 2008, under Sections 7 and 8, outlines the eligibility, responsibilities, and liabilities of Designated Partners (DPs). Following are the answers:

- (i) Every LLP must have at least two designated partners, and at least one must be a resident of India. Where if, all partners are bodies corporate, at least two individuals must be appointed as designated partners. Therefore, as per the stated law a corporate body cannot be appointed as a designated partner. Only individuals are eligible to be appointed as DPs.

- (ii) The incorporation document must specify the designated partners, or they must be appointed per the LLP agreement.

Accordingly, if an LLP agreement does not specify the designated partners, they the partners specified in the incorporation document containing designated partners can validly form the LLP in compliance with the LLP Act, 2008.

- (iii) As per the LLP Act, 2008, at least one designated partner of the LLP must be a resident of India. A resident of India is defined as a person who has stayed in India for at least 120 days in the financial year. If the designated partner is permanently relocating, he may no longer require to fulfill the residency criteria of staying in India for at least 120 days in the financial year.

- (iv) Designated partners are responsible for ensuring that the LLP complies with the LLP Act, 2008.

- a. If the LLP fails to comply with statutory requirements, designated partners are held personally liable for penalties.

- b. They may face fines or legal consequences for any violations of the LLP

Act.

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Where if, the designated partners, claims he was unaware of the regulatory requirements. He cannot take plead of the ignorance and cannot avoid the liability.

- (c) Under the provisions of the Foreign Exchange Management Act, 1999 (FEMA), Mr. Rohit, being a resident in India, can hold, own, transfer, or invest in foreign currency, foreign securities, or immovable property situated outside India under certain conditions. These conditions are clarified by the RBI through A.P. (DIR Series) Circular No. 90 dated 9th January, 2014, which elaborates on section 6(4) of the Act.

Clarifications under section 6(4) of FEMA

(i) Foreign Currency Accounts

- Mr. Rohit can maintain foreign currency accounts that were opened and maintained by him when he was resident outside India.

(ii) Income and Investments

- Income earned through employment, business, or vocation outside India while Mr. Rohit was a non-resident.
- Investments made abroad during his non-resident status.
- Gifts or inheritance received from a non-resident Indian.

(iii) Foreign Exchange and Income therefrom

- Foreign exchange holdings, including income arising from them, held outside India by Mr. Rohit, acquired through inheritance from a non-resident Indian.

(iv) Utilization of Assets After Return to India

- Mr. Rohit may freely utilize all eligible assets abroad, including the income on such assets or sale proceeds received after his return to India.
- He can make payments or fresh investments abroad without the approval of the Reserve Bank of India, provided the funds used are from eligible assets held by him abroad and the transaction complies with FEMA provisions.

Therefore, Mr. Rohit is eligible to hold and utilize his foreign assets as per the provisions outlined in section 6(4) of FEMA and the RBI circular. These provisions allow him to manage his foreign currency, securities, and inherited property located outside India in compliance with the regulations governing residents' dealings in foreign assets under FEMA.